Assembly Bill No. 1389

Passed the Assembly September 16, 2008

Chief Clerk of the Assembly

Passed the Senate September 16, 2008

Secretary of the Senate

This bill was received by the Governor this _____ day of _______________, 2008, at _____ o'clock ____M.

Private Secretary of the Governor

Corrected 9-18-08

CHAPTER ________

An act to amend Section 23320 of the Business and Professions Code, to amend Sections 22664, 22954, 22954.1, 22955, 22955.5, 24412, 24415, 24416, 24417, and 24600 of, to add Sections 8277.65, 8277.66, and 24415.5 to, to repeal Section 24411 of, and to repeal and add Section 22954.5 of, the Education Code, to amend Section 13001 of the Fish and Game Code, to add Section 4101.4 to the Food and Agricultural Code, to amend Sections 8544.5, 11032, 11033, 11270, 11271, 11272, 11274, 11276, 11277, 13300, 13302, 13332.02, 13332.03, 15849.6, 16142, 16142.1, 16144, 22877, 22883, 30061, 63035, and 76104.6 of, to add Sections 11270.1, 13311, 13312, 15814.28, and 19816.22 to, to add Chapter 7 (commencing with Section 15849.20) to Part 10b of Division 3 of Title 2 of, and to repeal Section 13997.4 of, the Government Code, to amend Sections 33675 and 33680 of, and to add Sections 17928, 33684, 33685, 33686, 33687, 33688, and 33689 to, the Health and Safety Code, to amend Section 1060 of the Insurance Code, to amend Sections 62.5, 62.9, and 139.48 of the Labor Code, to add Section 69.9 to the Military and Veterans Code, to amend Section 25416 of the Public Resources Code, to amend Section 281 of the Public Utilities Code, to amend Sections 18535, 18536, 19280, and 30131.4 of, and to add Sections 19011.5 and 19290.1 to, the Revenue and Taxation Code, to amend Section 5891 of the Welfare and Institutions Code, and to amend Section 6 of Chapter 213 of the Statutes of 2000, relating to state government, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1389, Committee on Budget. State government.

(1) The State Teachers' Retirement Law prescribes the rights and benefits of members of the State Teachers' Retirement System. Under the law, a continuous appropriation equal to 2.5% of creditable compensation, as specified, is made annually from the General Fund for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund to fund supplemental purchase power protection payments to retired members, disabled

members, and beneficiaries of the Defined Benefit Program of the State Teachers' Retirement System. The law provides that the transfer for the 2008–09 fiscal year be made on November 1.

This bill would reduce the continuous appropriation from the General Fund, described above, by specified amounts. The bill would require that the transfers to the Supplemental Benefit Maintenance Account be made on November 1 and April 1 of each fiscal year, with each transfer to equal $\frac{1}{2}$ the amount appropriated. The bill, until 2013, would also make a series of appropriations from the General Fund for the purpose of paying interest on the judgment in a specified case related to the account. The bill would state the intent of the Legislature that certain information be included in the annual Budget Act.

(2) Existing law requires the Teachers' Retirement Board, beginning in 2006 and every 4 years thereafter, to report to the Legislature and the Department of Finance regarding the ability of the retirement system to pay the supplemental purchase power protection payments, described above, in each fiscal year until 2036, and appropriates funds, as determined by the actuary and certified by the Director of Finance, as necessary to enable the Teachers' Retirement System to make those payments, as specified, until June 30, 2036. Existing law limits the aggregate amount of funds to be appropriated by these provisions pursuant to a specified method.

This bill would revise and recast these provisions. The bill would delete the provisions regarding the appropriation, described above, and would delete the termination date, described above. The bill would require the board to adopt an actuarial projection regarding the ability of the system to continue providing, over a term to be established by the board, the purchasing power protection provided from the funds of the Supplemental Benefit Maintenance Account. The bill would require the board, as a result of determinations made in connection with the actuarial projection, to identify the maximum level of benefits it expects to be sustainable, as specified.

(3) Existing law requires that, for the 1998–99 fiscal year, the contributions to be made to the Supplemental Benefit Maintenance Account be reduced by the total value of the state's interest in the school lands from the sale of the Elk Hills Naval Petroleum Reserve.

This bill would repeal those provisions.

(4) Existing law defines creditable compensation for the purposes of making contributions from the General Fund to the Supplemental Benefit Maintenance Account and the Teachers' Retirement Fund. Existing law specifies, with regard to making contributions from the General Fund to the Teachers' Retirement Fund, that the amount is to be calculated annually on October 1.

This bill would require that the Teachers' Retirement Board calculate, on or after October 1 and on or before October 25 each year, the total amount of creditable compensation upon which members' contributions are based for the fiscal year that ended on the immediately preceding June 30. The bill would require the board to immediately submit a report that includes this calculation to the Director of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Legislative Analyst. The bill would provide a process for reporting a revision in the amount of that calculation and adjusting subsequent appropriations to reflect that amount. The bill would also make conforming changes.

(5) Existing law prohibits the purchase power protection payments from the Supplemental Benefit Maintenance Account from exceeding the amount necessary to restore purchasing power up to 80% of the purchasing power of the initial monthly allowance, as specified. Existing law provides that these benefits are vested only to the extent that funds are appropriated to the Supplemental Benefit Maintenance Account, as specified. Existing law permits annual cost-of-living adjustments for retired members, disabled members, and beneficiaries, in excess of a specified adjustment, to be included in a General Fund appropriation in the annual Budget Act, and provides a method for its calculation and distribution. Existing law provides that these provisions shall be operative only in a fiscal year during which distributions from the Supplemental Benefit Maintenance Account are not made. Existing law establishes a permissive process for funding purchasing power payments, or adjusting their amount, if the Supplemental Benefit Maintenance Account does not have sufficient funds to provide payments of up to 80% of the initial monthly allowance. Existing law creates an auxiliary Supplemental Benefit Maintenance Account to be distributed when the funds in the Supplemental Benefit Maintenance Account are insufficient to support 80% of the initial monthly allowance to retired members, disabled members, and beneficiaries.

This bill would increase the amount of the supplemental purchase power protection payments from the Supplemental Benefit Maintenance Account to up to 85% of the purchasing power of the initial monthly allowance, as specified, and would make corresponding changes in the related provisions described above. The bill would authorize the board to adjust the purchasing power protection payments between no more than 85% and no less than 80%, based on actuarial projections, as specified. The bill would require the board to propose uses for excess moneys, if any, in the account. The bill would authorize the board to adopt regulations in this regard, which would be filed with the Secretary of State but would not be subject to the Administrative Procedure Act. The bill would delete the optional process for General Fund cost-of-living adjustments for retired members, disabled members, and beneficiaries, operative only in a fiscal year during which distributions from the Supplemental Benefit Maintenance Account are not made. The bill would make conforming changes.

(6) Existing law sets forth the powers and duties of the Director of Finance generally in supervising matters concerning the financial and business policies of the state.

This bill would authorize the director to defer payment of General Fund moneys appropriated to the University of California in the annual Budget Act until May or June of the same fiscal year, subject to specified criteria. This bill also would, commencing with the 2008–09 fiscal year, authorize the director to reduce General Fund items of appropriation for state operations or suspend the effective date of cost-of-living adjustments or rate increases upon making certain determinations, according to specified criteria and subject to specified exceptions. The bill would specify that these provisions would only become operative if a specified amendment to the California Constitution is submitted to, and approved by, the voters at a statewide election.

(7) Existing law establishes the Department of Finance within state government. Under existing law, the department is required to devise an accounting system for each state agency that provides for the accrual of revenues at the end of the fiscal year if the underlying transaction has occurred as of the last day of the fiscal year, and the due date for the tax is within 2 months of the end of the period.

This bill would revise this accrual provision to replace the tax condition with one requiring instead that the revenue amount is measurable and will be collected during the current period or in time to pay current year-end liabilities.

(8) Existing law requires the Secretary of the Resources Agency to direct the Controller to pay annually to each eligible county, city, or city and county, $5 per acre for prime agricultural land, and $1 per acre for all other land, other than prime agricultural land, which is devoted to open space uses of statewide significance, or for a county that has adopted farmland security zones, $8 for land that is within, or within 3 miles of the boundaries of the sphere of influence of, each incorporated city.

This bill would require the Controller, commencing with the 2008–09 fiscal year, and each fiscal year thereafter, to reduce these payments by 10%.

(9) Existing law sets forth the procedures pursuant to which local agencies receive specified types of open space subventions of state funds. The Controller is required to make the payment to the local agencies on or before June 30 of each year.

This bill would also specify that the payment would not be made earlier than April 20 of each year.

(10) Existing law requires the establishment in each county treasury of a Supplemental Law Enforcement Services Fund, and requires that moneys from this fund be allocated to counties and cities located within a county for various law enforcement services, according to specified criteria.

This bill would additionally require the Controller to allocate funds appropriated in the annual Budget Act for this purpose according to these criteria, in 4 equal installments, to be paid in September, December, March, and June of each fiscal year.

(11) Existing law creates in the State Treasury, the California High-Cost Fund-A Administrative Committee Fund, the California High-Cost Fund-B Administrative Committee Fund, the Universal Lifeline Telephone Service Trust Administrative Committee Fund, the Deaf and Disabled Telecommunications Program Administrative Committee Fund, the Payphone Service Providers Committee Fund, and the California Teleconnect Fund Administrative Committee Fund. Under existing law, revenue in these funds is held in trust for the benefit of ratepayers and to compensate telephone corporations for the costs of providing

universal service and may be expended solely for specified purposes.

This bill would authorize the Controller to use these funds for loans to the General Fund, as specified.

(12) Existing law creates in the State Treasury the Fish and Game Preservation Fund, and makes the revenue in the fund available for expenditure, upon appropriation by the Legislature, for particular purposes. Existing law also creates in the General Fund the State Energy Conservation Assistance Account and continuously appropriates its revenue to the State Energy Resources Conservation and Development Commission for expenditure.

This bill would authorize the Controller to use this fund and account for loans to the General Fund, as specified.

(13) Existing law, the DNA Fingerprint, Unresolved Crime and Innocence Act, an initiative measure, creates in the State Treasury the state's DNA Identification Fund, and makes its revenue, upon appropriation by the Legislature, available to the Attorney General solely to support DNA testing and to offset the impacts of increased testing. Existing law, the California Children and Families First Act of 1998, an initiative measure, creates in the State Treasury the Children and Families Trust Fund for the exclusive purpose of funding the act's provisions. The Mental Health Services Act, an initiative measure, creates in the State Treasury the Mental Health Services Fund for the purpose of funding specified older adults, intervention, and children's services programs. These acts provide for their amendment by the Legislature if the amendments further the act and are consistent with its purposes.

This bill would authorize the Controller to use these funds for loans to the General Fund, as specified, and would require that the loans be repaid with interest at 110% of the Pooled Money Investment Account rate. The bill would declare that its provisions further these initiative acts and are consistent with their purposes.

(14) Existing law requires the Department of Finance to certify annually to the Controller the amount it determines to be the fair share of costs for which each state agency that is supported by funds other than the General Fund shall reimburse the General Fund for administrative services rendered by other designated state entities and agencies that are supported by the General Fund, and requires the Controller to transfer the amount of these costs from those funds to the General Fund.

This bill would create the Central Service Cost Recovery Fund, provide for the deposit into that fund of amounts equal to the fair share of administrative costs due and payable from state agencies, and direct that moneys in the Central Service Cost Recovery Fund be appropriated for the administration of the state government, as determined by the Director of Finance. This bill, except under certain circumstances, would prohibit moneys in the Central Service Cost Recovery Fund, that are not currently required to fund any appropriation, from being used, loaned, borrowed, assessed, allocated, or transferred unless approved by the Director of Finance. This bill would also designate the state entities that provide administrative services for which reimbursement is to be paid under these provisions.

(15) Existing law authorizes the Controller to make monthly transfers from the General Fund to the State Audit Fund, a continuously appropriated fund, for estimated audit costs that are not directly billed to affected state agencies.

This bill would authorize the Controller to also make transfers for that purpose from the Central Service Cost Recovery Fund.

(16) The Community Redevelopment Law authorizes the establishment of redevelopment agencies in communities to address the effects of blight, as defined, in blighted areas in those communities known as project areas. Section 16 of Article XVI of the California Constitution authorizes a redevelopment agency to receive funding through tax increments attributable to increases in assessed property tax valuation of property in a project area due to the redevelopment. Not less than 20% of tax increments generated from a project area are required to be used by a redevelopment agency to increase and improve the community's supply of low- and moderate-income housing. Redevelopment agencies also are required in specified years to remit to the county auditor an amount of revenue, determined in accordance with specified calculations made by the Director of Finance and based on a specified report of the Controller, for deposit in the Educational Revenue Augmentation Fund in each county for allocation to school entities. For each redevelopment project for which the redevelopment plan provides for the division of taxes the redevelopment agency is required to file with the county auditor or officer, as specified, a statement of indebtedness.

This bill would require redevelopment agencies, the county auditor, the Controller, the State Department of Education, and the Board of Governors of the California Community Colleges to submit specified reports or make specified calculations by specified dates regarding the revenue payments deposited by redevelopment agencies in the Educational Revenue Augmentation Fund in each county for allocation to school entities. By adding to the duties of county auditors, this bill would impose a state-mandated local program. Redevelopment agencies that have an outstanding payment obligation to a local educational agency would be (A) prohibited from adding new project areas or expanding existing project areas; (B) prohibited from issuing new bonds, notes, interim certificates, debentures, or other obligations, as specified; (C) prohibited from encumbering any funds or expending any money derived from any source, with specified exceptions; (D) subject to interest charges, as specified; and (E) required to deposit a portion of the outstanding payment obligation, plus any interest, in the Educational Revenue Augmentation Fund. Funds deposited in the county Educational Revenue Augmentation Fund as an outstanding payment would be prohibited from being distributed to a community college district. A county would be authorized to charge a redevelopment agency for any expenses incurred by the county in performing these services. A redevelopment agency would be authorized on its statement of indebtedness to credit the payment to the local educational agency against any existing passthrough payment indebtedness.

(17) Existing property tax law requires the county auditor, for each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. Existing property tax law also reduces the amounts of ad valorem property tax revenue that would otherwise be annually allocated to the county, cities, and special districts pursuant to these general allocation requirements by requiring, for purposes of determining property tax revenue allocations in each county for the 1992–93 and 1993–94 fiscal years, that the amounts of property tax revenue deemed allocated in the prior fiscal year to the county,

cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund (ERAF) in that county for allocation to school districts, community college districts, and the county office of education.

Existing law also requires a redevelopment agency, during the 2005–06 fiscal year, to remit to the county auditor an amount of revenue, determined in accordance with specified calculations made by the Director of Finance and based on a specified report of the Controller, for deposit in the ERAF in each county for allocation to school entities.

This bill would require a redevelopment agency to make a remittance to county ERAFs for the 2008–09 fiscal year. A redevelopment agency would be authorized to defer the payment of a portion of this remittance if that agency finds that it is unable, for either of certain reasons, to pay the full allocation, and if the agency adopts a specified resolution. A legislative body would be authorized to remit, in lieu of making that payment prior to May 10, 2009, a designated amount to the county auditor for deposit in the county ERAF. For the 2008–09 fiscal year, no funds deposited in the county ERAF would be distributed to a community college district. If an agency does not remit the full designated amount or fails to arrange for full payment, as specified, to the county ERAF, then the agency would be prohibited from adding new project areas or expanding existing project areas; from issuing new bonds, notes, interim certificates, debentures, or other obligations, as specified; and from encumbering any funds or expending any moneys derived from any source except as specified. By imposing new duties upon local tax officials in the annual allocation of these revenues, this bill would impose a state-mandated local program.

(18) The Child Care and Development Services Act establishes the Child Care and Development Facilities Loan Guaranty Fund and the Child Care and Development Facilities Direct Loan Fund in the State Treasury. The act requires the Department of Housing and Community Development to use moneys deposited into those funds to make loan guarantees and subordinated loans to sole proprietorships, partnerships, proprietary and nonprofit corporations, and local public agencies for the purchase, development, construction, expansion, or improvement of licensed

child care and development facilities, and for the purpose of administering the guarantees and loans.

This bill would abolish the Child Care and Development Facilities Loan Guaranty Fund, the Child Care and Development Facilities Direct Loan Fund, and the Child Care Loan Guaranty Fund Account in the Small Business Expansion Fund. All moneys remaining in those funds and that account would revert to the General Fund.

This bill also would require the Department of Housing and Community Development to deposit all subsequent loan repayments to the Treasurer to the credit of the General Fund.

(19) Existing law, the California Small Business Financial Development Corporation Law, creates the Small Business Expansion Fund, which is continuously appropriated, and that fund provides moneys to be used to pay for defaulted loan guarantees and administrative costs for small business financial development corporations.

This bill would authorize up to $139,000 to be transferred from the General Fund to the Small Business Expansion Fund upon the order of the Director of Finance if funds are needed to pay a loan guarantee made from the Small Business Expansion Fund for the purchase, development, construction, expansion, or improvement of licensed child care and development facilities, as specified. Because the Small Business Expansion Fund is a continuously appropriated fund, this bill would make an appropriation.

(20) The Bergeson-Peace Infrastructure and Economic Development Bank Act requires the California Infrastructure and Economic Development Bank to annually submit to the Governor and the Joint Legislative Budget Committee a report of its activities. The report is required to include, among other things, a listing of applications accepted and a report of revenues and expenditures for the preceding fiscal year.

This bill would require the report to include information with respect to applications for a specified program and additional information with respect to revenues and expenditures for the preceding fiscal year.

(21) Existing law designates the Business, Transportation and Housing Agency as the primary state agency responsible for facilitating economic development in the state, and requires the

agency to work with other governmental and international public and private entities in meeting this responsibility.

This bill would repeal those provisions.

(22) Existing law creates the State Public Works Board, and authorizes the board to issue bonds and other forms of debt, pursuant to the State Building Construction Act of 1955, to obtain funds to pay the cost of public buildings. Existing law services the debt issued by the board through revenues, rentals, and receipts from those public buildings.

This bill would authorize the board to issue debt to pay for the development and implementation of the Financial Information System for California, a single integrated financial management system that encompasses the management of resources and dollars in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management, and human resources management. This bill would provide that debt service is conditioned upon annual appropriation by the Legislature. This bill would make an appropriation by creating continuously appropriated funds and subaccounts to pay for the system's development, implementation, operation, and maintenance.

(23) Existing law establishes a workers' compensation system, administered by the Administrative Director of the Division of Workers' Compensation, to compensate an injured employee for injuries sustained in the course of his or her employment.

Existing law requires that the Director of Industrial Relations levy and collect assessments from employers in an amount determined by the director to be sufficient to fund specified workers' compensation programs implemented in the state.

This bill would require that specified revenues received from additional surcharges levied upon employers in the state be deposited into the Occupational Safety and Health Fund, created by this bill, as a special account in the State Treasury, and would authorize the expenditure of moneys in the fund by the department, upon appropriation by the Legislature, for purposes of funding the activities of those departments related to the implementation and enforcement of occupational health and safety laws in the state.

(24) Existing law requires the administrative director, until January 1, 2009, to establish the Return-to-Work Program to

promote the early and sustained return to work of the employee following a work-related injury or illness.

This bill would extend to January 1, 2010, the repeal date of those provisions.

(25) Existing law requires the department to enter into an agreement with the Franchise Tax Board that authorizes the collection by the board of delinquent assessments and penalties that are levied against employers for violation of specified labor laws.

This bill would also authorize the collection by the board of delinquent assessments and penalties that are levied against employers for violation of specified occupational safety and health laws.

(26) Under existing law, unpaid fines and other penalties for criminal offenses imposed by a court upon a person or entity in an amount less than $100 may be referred to the Franchise Tax Board for collection after being delinquent for 90 days.

This bill would include bail in those unpaid debts that may be referred to the Franchise Tax Board for collection after being delinquent for 90 days.

(27) The existing Corporation Tax Law requires taxpayers whose tax liability exceeds specified amounts to remit payment to the Franchise Tax Board by electronic funds transfers if any of 3 specified conditions exists.

This bill would require personal income taxpayers with estimated tax or extension payments in excess of $20,000, or total tax liability in excess of $80,000, to remit payments to the Franchise Tax Board by electronic funds transfers, subject to specified requirements.

(28) Existing income tax laws authorize the Franchise Tax Board to provide for the filing of a group return for electing nonresident partners and electing nonresident directors of a corporation, and to adjust the income of those taxpayers to properly reflect income, as provided. Existing law provides that the tax rate or rates applicable to each partner's distributive share or each director's compensation for services is the highest marginal rate or rates provided by the Personal Income Tax Law.

The Personal Income Tax Law also imposes an additional tax at the rate of 1% on that portion of a taxpayer's taxable income in excess of $1,000,000.

This bill would also impose this additional tax of 1% on taxable income in excess of $1,000,000 of any electing nonresident partner of nonresident director of a corporation included on the group return.

(29) The Alcoholic Beverage Control Act provides for the issuance of licenses for which various annual fees are charged depending upon the type of license issued. That law authorizes an annual adjustment of the fees in an amount not to exceed an inflation factor based on the Consumer Price Index.

This bill would increase these annual fees by 11.78% beginning January 1, 2009, in lieu of any annual fee adjustments that could have been imposed for the previous 4 years. This bill would also permit the Department of Alcoholic Beverage Control to annually adjust the fees charged commencing with the 2010 calendar year by an amount not to exceed an inflation factor based on the Consumer Price Index.

(30) Existing law appropriates $5,000,000 to the Governor's Office on Service and Volunteerism, on an annual basis, for the purpose of funding grants to local and state operated Americorps and Conservation Corps programs.

This bill would instead specify that this appropriation is to CaliforniaVolunteers, suspend the appropriation from July 1, 2008, to June 30, 2010, inclusive, and provide for an appropriation of $2,500,000 to June 30, 2010, inclusive.

(31) Until January 1, 2012, or earlier, as specified, the Rural Health Care Equity Program, as administered by the Department of Personnel Administration, provides subsidies and reimbursements for certain health care premiums and health care costs incurred by state employees and annuitants in rural areas in which there is no board-approved health maintenance organization plan available for enrollment.

This bill would eliminate annuitants from those who are eligible to receive those benefits through the Rural Health Care Equity Program.

(32) Existing law requires the Department of Personnel Administration to administer and enforce laws pertaining to state personnel.

This bill would authorize the Department of Personnel Administration to assess special funds, bond funds, and nongovernmental cost funds in sufficient amounts to support the cost of the Human Resources Modernization Project, as specified.

(33) Existing law authorizes state officers and employees to travel out of state on state business and provides for payment of expenses for this travel upon approval of the Governor and the Director of Finance, subject to certain exceptions, as specified.

This bill would delete the requirement for approval of the Director of Finance in connection with travel and travel expenses under these provisions. The bill also would make technical, nonsubstantive changes to these provisions.

(34) Existing law provides for the creation, maintenance, and authority of the Sixth District Agricultural Association, which is known as the California Science Center and which is a tax-exempt organization and instrumentality of the state. The center is authorized to enter into a site lease and lease-purchase agreement with the California Science Center Foundation, a nonprofit corporation, for the purpose of constructing and funding the Phase II Project of the center, as specified.

This bill would declare the Legislature's finding that the operation of the center may require individual skills not generally available in state civil service to support specialized functions, and would authorize the center to enter into a personal services contract or contracts with the California Science Center Foundation without a competitive bidding process, as specified.

(35) Under existing law, the Department of Veterans Affairs provides benefits to California veterans and their families, and is responsible for, among other things, veterans' welfare and homes.

This bill would require the Department of Veterans Affairs, on or before January 10, 2009, and each January 10 thereafter, to provide a fiscal estimate package to the fiscal committees of the Legislature that contains specified information regarding the costs of administering state veterans homes. This bill would also require the department to provide an updated fiscal estimate package on or before May 15 of each year.

(36) Existing law requires the Insurance Commissioner to transmit specified information to the Governor, the Legislature, and to the committees of the Senate and Assembly having jurisdiction over insurance in the annual report submitted to those entities, as specified.

This bill would itemize facts relating to the operations of the Conservation and Liquidation Office, and other facts relating to the operations of individual estates, that must be included in the annual report.

(37) The State Building Construction Act of 1955 requires the Department of General Services, in consultation with other state entities, to develop a multiyear plan to exploit cost-effective energy efficiency measures in state facilities. The act requires the department to update the plan biennially, coordinate implementation efforts, and make recommendations to the Governor and the Legislature to achieve energy goals for state facilities.

This bill would require the department to make these recommendations no later than March 1, 2009, and biennially thereafter. The bill would additionally require the department to report on projects under its jurisdiction, as specified.

(38) The State Housing Law requires the Department of Housing and Community Development to propose, among other things, the adoption of building standards generally to the California Building Standards Commission for adoption in the California Building Code.

This bill would require the department to review relevant green building guidelines when preparing proposed building standards for submittal to the commission, and consider proposing as mandatory building standards those green building features determined by the department to be cost effective and feasible to promote greener construction. It would also require the department to summarize specified information in this regard in an annual report to the Legislature.

(39) Existing law generally sets forth the requirements pursuant to which the Commission on State Mandates hears and decides upon claims by local agencies or school districts for reimbursement of costs mandated by the state, determines the amount of state funds to be subvened for reimbursement, issues statewide cost estimates, and adopts parameters and guidelines for payment of claims by the Controller. The commission may not find costs mandated by the state if it finds that the statute or executive order in question imposes duties that are necessary to implement, reasonably within the scope of, or expressly included in, a ballot measure approved by the voters in a statewide or local election,

regardless of whether the statute or executive order was enacted or adopted before or after the date upon which the ballot measure was approved by the voters.

This bill would require the commission, upon final resolution of any pending litigation challenging the constitutionality of the prohibition described above, to reconsider a specified test claim statement of decision and, if necessary, take specified actions in this regard. The bill would also require the Controller to make conforming revisions to the claiming instructions.

(40) The bill would state the intent of the Legislature that specified budget augmentations for transfer to the Teachers' Retirement Fund be appropriated in the Budget Act of 2009.

(41) The bill would state the intent of the Legislature that certain of the bill's provisions constitute a comprehensive package of modifications to appropriations for, and benefits of, the State Teachers' Retirement System, that this package provides members of the system with comparable new advantages, as specified, and that these provisions not be interpreted as separable.

(42) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason, but that if the commission determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

(43) This bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 23320 of the Business and Professions Code is amended to read:

23320. (a) The following are the types of licenses and the annual fees to be charged therefor:

Name & License Type Number:	Fee Effective 01/01/02	Fee Effective 01/01/03	Fee Effective 01/01/04

(1) Beer manufacturer:			
(a) Beer manufacturers that produce 60,000 barrels or less a year (Type 23)............................	$127.00	$134.00	$140.00
(b) All other beer manufacturers (Type 1)..............................	$1,043.00	$1,098.00	$1,153.00
(c) Branch Office			
—Small Beer Manufacturers (Type 23D).........................	$69.00	$71.00	$73.00
—Beer Manufacturers (Type 1D)...........................	$69.00	$71.00	$73.00
(2) Winegrower or wine blender (to be computed only on the gallonage produced or blended) (Type 2 & Type 22)			
—5,000 gallons or less......................................	$34.00	$44.00	$54.00
—Over 5,000 gallons to 20,000 gallons per year.....................................	$65.00	$80.00	$99.00
—Over 20,000 to 100,000 gallons per year..................	$130.00	$155.00	$180.00
—Over 100,000 to 200,000 gallons per year.....................................	$180.00	$205.00	$237.00
—Over 200,000 gallons to 1,000,000 gallons per year...............................	$250.00	$300.00	$351.00
—For each 1,000,000 gallons or fraction thereof over 1,000,000 gallons an additional	$170.00	$200.00	$229.00
Winegrower (Branch Office) - (Type 2D)............	$69.00	$71.00	$73.00

(3) Brandy manufacturer (Type 3)..............................	$212.00	$223.00	$234.00
Brandy manufacturer (Branch Office) (Type 3D)...........................	$204.00	$210.00	$215.00
(4) Distilled spirits manufacturer (Type 4)........	$348.00	$366.00	$384.00
(5) Distilled spirits manufacturer's agent (Type 5)..............................	$348.00	$366.00	$384.00
(5a) California winegrower's agent (Type 27)...................	$348.00	$366.00	$384.00
(6) Still (Type 6).......................	$33.00	$46.00	$58.00
(7) Rectifier (Type 7)................	$348.00	$366.00	$384.00
(7a) Distilled spirits rectifier's general license (Type 24)............................	$348.00	$366.00	$384.00
(8) Wine rectifier (Type 8)..............................	$348.00	$366.00	$384.00
(9) Beer & wine importer (Type 9)..............................	$25.00	$42.00	$58.00
(10) Beer & wine importer's general license (Type 10)	$147.00	$202.00	$256.00
(11) Brandy importer (Type 11)............................	$25.00	$42.00	$58.00
(12) Distilled spirits importer (Type 12)............	$25.00	$42.00	$58.00
(13) Distilled spirits importer's general license (Type 13)............................	$348.00	$366.00	$384.00
(14) Public warehouse (Type 14)............................	$33.00	$46.00	$58.00
(15) Customs broker (Type 15)............................	$33.00	$46.00	$58.00
(16) Wine broker (Type 16)......	$71.00	$75.00	$78.00
(17) Beer & wine wholesaler (Type 17)............................	$147.00	$202.00	$256.00
(18) Distilled spirits wholesaler (Type 18)..........	$348.00	$366.00	$384.00

(18a) California brandy wholesaler (Type 25)..........	$348.00	$366.00	$384.00
(19) Industrial alcohol dealer (Type 19).................	$71.00	$75.00	$78.00
(20) Retail package off–sale beer & wine (Type 20).......	$105.00	$157.00	$209.00
(21) Retail package off–sale general license (Type 21) and controlled access cabinet permit (Type 66).....	$431.00	$448.00	$464.00
(22) On–sale beer (Type 40 & Type 61); On–sale beer & wine (Type 42); Special on–sale beer & wine (Theater) (Type 69); and Special on–sale beer & wine (Symphony) (Type 65)............................	$204.00	$210.00	$215.00
(23) On–sale beer & wine eating place (Type 41)........	$236.00	$263.00	$290.00
(24) On–sale beer & wine license for trains (per train) (Type 43)...................	$48.00	$68.00	$87.00
(25) On–sale beer license for fishing party boats (per boat) (Type 44)...................	$59.00	$73.00	$87.00
(26) On–sale beer & wine license for boats (per boat) (Type 45)...................	$75.00	$81.00	$87.00
(27) On–sale beer & wine license for airplanes (per scheduled flight) (Type 46)............................	$48.00	$68.00	$87.00
(28) On–sale general license (Types 47, 48, 57, 70, 75, 78, 78D (for 78D see Section 23396.2)) and club caterer's permit (Type 58):			

—In cities of 40,000 population or over....................................	$698.00	$715.00	$731.00
—In cities of less than 40,000 but more than 20,000 population..........................	$503.00	$520.00	$536.00
—In all other localities............................	$443.00	$460.00	$476.00
Duplicate on–sale general license (Types 47D, 48D, 57D) and portable bar license (Type 68):			
—In cities of 40,000 population or over.............	$499.00	$513.00	$526.00
—In cities of less than 40,000 but more than 20,000 population..............	$295.00	$303.00	$311.00
—In all other localities............................	$233.00	$239.00	$245.00
(29) On–sale general license for seasonal business (Type 49):			
—In cities of 40,000 population or over (per quarter)..............................	$176.00	$181.00	$186.00
—In cities of less than 40,000 but more than 20,000 population (per quarter)..............................	$126.00	$129.00	$132.00
—In all other localities (per quarter).......................	$109.00	$112.00	$115.00
Duplicate on–sale general license for seasonal business (Type 49D):			
—In cities of 40,000 population or over (per quarter)..............................	$126.00	$129.00	$132.00
—In cities of less than			

40,000 but more than 20,000 population (per quarter)...............................	$74.00	$76.00	$78.00
—In all other localities (per quarter)........................	$59.00	$61.00	$62.00
(30) (a) On–sale general license for bona fide clubs, (b) Club license (issued under Article 4 of this chapter), or (c) Veterans’ club license (issued under Article 5 (commencing with Section 23450) of this chapter) (Types 50, 51, 52, & 64):			
—In cities of 40,000 population or over.............	$400.00	$411.00	$422.00
—In cities of less than 40,000 but more than 20,000 population..............	$301.00	$309.00	$317.00
—In all other localities.............................	$267.00	$274.00	$281.00
(31) On–sale general license for trains and sleeping cars (Type 53).....................	$156.00	$160.00	$164.00
—Duplicate on–sale general license for trains and sleeping car companies (Type 53D).........................	$46.00	$52.00	$58.00
(32) On–sale general license for boats (Type 54)............	$402.00	$413.00	$424.00
(33) On–sale general license for airplanes (Type 55).......	$402.00	$413.00	$424.00
—Duplicate on–sale general license for air common carriers (Type 55D).........................	$32.00	$45.00	$58.00

(34) On–sale general license for vessels of more than 1,000 tons burden (Type 56) and for Maritime Museum (Type 76)............	$156.00	$160.00	$164.00
—Duplicate on–sale general license for vessels of more than 1,000 tons burden (Type 56D) and for Maritime Museum (Type 76D).........................	$46.00	$52.00	$58.00
(35) On–sale general bona fide public eating place intermittent dockside license for vessels of more than 7,000 tons displacement (Type 62)......	$435.00	$447.00	$459.00
(36) On–sale special beer & wine license for hospitals, convalescent homes, and rest homes (Type 63)..........	$68.00	$70.00	$72.00
(37) On–sale beer & wine seasonal (Type 59) and on–sale beer seasonal (Type 60)			
—Operating period 3-9 months.........................	$161.00	$171.00	$180.00
—Operating period 3-6 months.........................	$108.00	$115.00	$122.00

(b) Beginning January 1, 2009, each fee specified in subdivision (a) shall be increased by 11.78 percent, in lieu of any annual fee adjustment that could have been imposed for the previous four years. The increase to each fee shall be rounded to the nearest whole dollar.

(c) Beginning January 1, 2010, and each January 1 thereafter, the department may adjust each of the fees specified in this section by increasing each fee by an amount not to exceed the percentage that the Consumer Price Index (United States Bureau of Labor Statistics, West Region, All Urban Consumers, All Items, Base Period 1982–84 = 100) for the preceding April 2008, and each April annually thereafter, has increased under the same index over the month of April 2007, which shall be the base period. No fee shall be decreased pursuant to this adjustment below the fee currently in effect on each December 31. In the event that this index is discontinued, the department shall consult with the Department of Finance to convert the increase calculations to an index then available. When approved by the Department of Finance, the new index shall replace the discontinued index.

(d) The department shall calculate the percentage increase as specified in subdivision (c) and shall apply this increase to each fee. The increase to each fee shall be rounded to the nearest whole dollar. The adjusted fee list shall be published by the department and transmitted to the Legislature for approval as part of the department's budget submission for the fiscal year in which the adjusted fees would be implemented. This adjustment of fees and publication of the adjusted fee list is not subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

SEC. 2. Section 8277.65 is added to the Education Code, immediately following Section 8277.6, to read:

8277.65. The Child Care and Development Facilities Loan Guaranty Fund, the Child Care and Development Facilities Direct Loan Fund, and the Child Care Loan Guaranty Fund Account in the Small Business Expansion Fund are abolished. All moneys remaining in the Child Care and Development Facilities Loan Guaranty Fund, the Child Care and Development Facilities Direct Loan Fund, and the Child Care Loan Guaranty Fund Account in the Small Business Expansion Fund shall revert to the General Fund. The Department of Housing and Community Development shall deposit all subsequent loan repayments to the Treasurer to the credit of the General Fund. The abolishment of the Child Care and Development Facilities Loan Guaranty Fund, the Child Care and Development Facilities Direct Loan Fund, and the Child Care Loan Guaranty Fund Account in the Small Business Expansion Fund does not terminate any of the following rights, obligations, or authorities, or any provision necessary to carry out those rights, obligations, or authorities:

(a) The repayment of loans due and payable to the department or the relevant financial company.

(b) The obligation of the state to pay claims arising from the default of outstanding loans that have been guaranteed.

(c) Payment to lenders for default of any outstanding guaranteed loans secured by those moneys.

(d) The resolution of any cost recovery action.

SEC. 3. Section 8277.66 is added to the Education Code, immediately following Section 8277.65, to read:

8277.66. Notwithstanding any other provision of law, up to one hundred thirty-nine thousand dollars ($139,000) may be transferred from the General Fund to the Small Business Expansion Fund upon the order of the Director of Finance if funds are needed to pay a loan guarantee made from the Small Business Expansion Fund pursuant to Sections 8277.5 and 8277.6. This authority shall expire on the date upon which all loan guarantees outstanding as of July 1, 2008, are retired, or January 1, 2020, whichever occurs first.

SEC. 4. Section 22664 of the Education Code is amended to read:

22664. The nonmember spouse who is awarded a separate account shall have the right to a service retirement allowance and, if applicable, a retirement benefit under this part.

(a) The nonmember spouse shall be eligible to retire for service under this part if the following conditions are satisfied:

(1) The member had at least five years of credited service during the period of marriage, at least one year of which had been performed subsequent to the most recent refund to the member of accumulated retirement contributions. The credited service may include service credited to the account of the member as of the date of the dissolution or legal separation, previously refunded service, out-of-state service, and permissive service credit that the member is eligible to purchase at the time of the dissolution or legal separation.

(2) The nonmember spouse has at least 2½ years of credited service in his or her separate account.

(3) The nonmember spouse has attained 55 years of age or more.

(b) A service retirement allowance of a nonmember spouse under this part shall become effective upon a date designated by the nonmember spouse, provided:

(1) The requirements of subdivision (a) are satisfied.

(2) The nonmember spouse has filed an application for service retirement on a properly executed form provided by the system, that is executed no earlier than six months before the effective date of the retirement allowance.

(3) The effective date is no earlier than the first day of the month that the application is received at the system's headquarters office as described in Section 22375, and the effective date is after the date the judgment or court order pursuant to Section 22652 was entered.

(c) (1) Upon service retirement at normal retirement age under this part, the nonmember spouse shall receive a retirement allowance that shall consist of an annual allowance payable in monthly installments equal to 2 percent of final compensation for each year of credited service.

(2) If the nonmember spouse's retirement is effective at less than normal retirement age and between early retirement age under this part and normal retirement age, the retirement allowance shall be reduced by one-half of 1 percent for each full month, or fraction of a month, that will elapse until the nonmember spouse would have reached normal retirement age.

(3) If the nonmember spouse's service retirement is effective at an age greater than normal retirement age and is effective on or after January 1, 1999, the percentage of final compensation for each year of credited service shall be determined pursuant to the following table:

Age at Retirement	Percentage
60 ¼	2.033
60 ½	2.067
60 ¾	2.10
61	2.133
61 ¼	2.167
61 ½	2.20
61 ¾	2.233
62	2.267
62 ¼	2.30
62 ½	2.333
62 ¾	2.367
63 and over	2.40

(4) In computing the retirement allowance of the nonmember spouse, the age of the nonmember spouse on the last day of the month that the retirement allowance begins to accrue shall be used.

(5) Final compensation, for purposes of calculating the service retirement allowance of the nonmember spouse under this subdivision, shall be calculated according to the definition of final compensation in Section 22134, 22134.5, 22135, or 22136, whichever is applicable, and shall be based on the member's compensation earnable up to the date the parties separated, as established in the judgment or court order pursuant to Section 22652. The nonmember spouse shall not be entitled to use any other calculation of final compensation.

(d) Upon service retirement under this part, the nonmember spouse shall receive a retirement benefit based on an amount equal to the balance of credits in the nonmember spouse's Defined Benefit Supplement account on the date the retirement benefit becomes payable.

(1) A retirement benefit shall be a lump-sum payment, or an annuity payable in monthly installments, or a combination of both a lump-sum payment and an annuity, as elected by the nonmember spouse on the application for a retirement benefit. A retirement benefit paid as an annuity under this chapter shall be subject to Sections 22660, 25011, and 25011.1.

(2) Upon distribution of the entire retirement benefit in a lump-sum payment, no other benefit shall be payable to the nonmember spouse or the nonmember spouse's beneficiary under the Defined Benefit Supplement Program.

(e) If the member is or was receiving a disability allowance under this part with an effective date before or on the date the parties separated as established in the judgment or court order pursuant to Section 22652, or at any time applies for and receives a disability allowance with an effective date that is before or coincides with the date the parties separated as established in the judgment or court order pursuant to Section 22652, the nonmember spouse shall not be eligible to retire until after the disability allowance of the member terminates. If the member who is or was receiving a disability allowance returns to employment to perform creditable service subject to coverage under the Defined Benefit Program or has his or her allowance terminated under Section 24015, the nonmember spouse may not be paid a retirement allowance until at least six months after termination of the disability allowance and the return of the member to employment to perform creditable service subject to coverage under the Defined Benefit Program, or the termination of the disability allowance and the employment or self-employment of the member in any capacity, notwithstanding Section 22132. If at the end of the six-month period, the member has not had a recurrence of the original disability or has not had his or her earnings fall below the amounts described in Section 24015, the nonmember spouse may be paid a retirement allowance if all other eligibility requirements are met.

(1) The retirement allowance of the nonmember spouse under this subdivision shall be calculated as follows: the disability allowance the member was receiving, exclusive of the portion for dependent children, shall be divided between the share of the member and the share of the nonmember spouse. The share of the nonmember spouse shall be the amount obtained by multiplying the disability allowance, exclusive of the portion for dependent children, by the years of service credited to the separate account of the nonmember spouse, including service projected to the date of separation, and dividing by the projected service of the member. The nonmember spouse's retirement allowance shall be the lesser of the share of the nonmember spouse under this subdivision or the retirement allowance under subdivision (c).

(2) The share of the member shall be the total disability allowance reduced by the share of the nonmember spouse. The share of the member shall be considered the disability allowance of the member for purposes of Section 24213.

(f) The nonmember spouse who receives a retirement allowance is not a retired member under this part. However, the allowance of the nonmember spouse shall be increased by application of the improvement factor and shall be eligible for the application of supplemental increases and other benefit maintenance provisions under this part, including, but not limited to, Sections 24412 and 24415 based on the same criteria used for the application of these benefit maintenance increases to the service retirement allowances of members.

SEC. 5. Section 22954 of the Education Code is amended to read:

22954. (a) Notwithstanding Section 13340 of the Government Code, a continuous appropriation is hereby annually made from the General Fund to the Controller, pursuant to this section, for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund.

(b) Except as reduced pursuant to subdivision (c), the total amount of the appropriation for each year shall be equal to 2.5 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based for purposes of funding the supplemental payments authorized by Section 24415, as reported annually to the Director of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Legislative Analyst pursuant to Section 22955.5.

(c) Beginning with the 2008–09 fiscal year, the appropriation in subdivision (b) shall be reduced in accordance with the following schedule:

2008–09	$66,386,000
2009–10	$70,000,000
2010–11	$71,000,000
2011–12 and each fiscal year thereafter	$72,000,000

(d) Transfers made to the Supplemental Benefit Maintenance Account, pursuant to subdivision (a) shall be made on November 1 and April 1 of each fiscal year.

(e) The board may deduct from the annual appropriation made pursuant to this section an amount necessary for the administrative expenses of Section 24415.

(f) It is the intent of the Legislature in enacting this section to establish the supplemental payments pursuant to Section 24415 as vested benefits pursuant to a contractually enforceable promise to make annual contributions from the General Fund to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund in order to provide a continuous annual source of revenue for the purposes of making the supplemental payments under Section 24415.

SEC. 6. Section 22954.1 of the Education Code is amended to read:

22954.1. (a) Consistent with a process it establishes pursuant to subdivision (e), the board shall periodically adopt an actuarial projection regarding the ability of the system to continue providing, over a term to be established by the board, the purchasing power protection that is, at the time of the projection, being provided from the funds of the Supplemental Benefit Maintenance Account.

(b) If the board, in adopting the actuarial projection described in subdivision (a), determines that the annual transfers to the Supplemental Benefit Maintenance Account described in Section 22954, combined with all other anticipated sources of income to the account, are likely to be more than sufficient over the term established by the board to continue providing the purchasing power protection being provided at the time of the projection, it shall identify the maximum level of purchasing power protection benefits that it expects to be sustainable over that term from these contributions and other sources of income.

(c) If the board, in adopting the actuarial projection described in subdivision (a), determines that the annual transfers to the Supplemental Benefit Maintenance Account described in Section 22954, combined with all other anticipated sources of income to the account, are likely to be less than sufficient over the term established by the board to continue providing the purchasing power protection being provided at the time of the projection, it shall identify the maximum level of purchasing power protection benefits that it expects to be sustainable over that term from these contributions and other sources of income.

(d) It is the intent of the Legislature that the board shall adopt the projections and determinations described in subdivisions (a), (b), and (c) pursuant to its powers and responsibilities under Section 17 of Article XVI of the California Constitution, including, but not limited to, the board's fiduciary responsibility to the system's participants and their beneficiaries and the board's sole and exclusive power to provide for actuarial services of the system. Therefore, in its adoption of the projections and determinations required in subdivisions (a), (b), and (c), the board may utilize any actuarial assumptions, methods, and standards that it deems appropriate to determine the level of purchasing power protection benefits that it expects can be sustained over the term established by the board by funds of the Supplemental Benefit Maintenance Account.

(e) The board shall determine the frequency and timing of its adoption of the actuarial projection described in subdivision (a) in regulations that it adopts pursuant to subdivision (e) of Section 24415.5.

(f) The board shall promptly provide to the Director of Finance, the Chairperson of the Joint Legislative Budget Committee, the chairpersons of the Senate Committee on Public Employment and Retirement and the Assembly Committee on Public Employees, Retirement and Social Security, and the Legislative Analyst a summary of its actuarial projections and other determinations, as adopted pursuant to subdivisions (a), (b), and (c). The report shall include a description of any adjustments of benefits made pursuant to Section 24415.5.

SEC. 7. Section 22954.5 of the Education Code is repealed.

SEC. 8. Section 22954.5 is added to the Education Code, to read:

22954.5. (a) In addition to the amounts appropriated for transfer to the Supplemental Benefit Maintenance Account in Section 22954, there is hereby appropriated from the General Fund to the Controller for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund the following amounts in each of the specified fiscal years, as follows:

2009–10	$56,979,949
2010–11	$56,979,949
2011–12	$56,979,949
2012–13	$56,979,949

(b) It is the intent of the Legislature that the annual Budget Act for each of the fiscal years described in subdivision (a) display the amounts listed above in Item 1920-011-0001 as an informational item, along with other estimated amounts required to be transferred from the General Fund to the Teachers' Retirement Fund pursuant to Sections 22954 and 22955. In the reports, calculations, and schedules that the system submits pursuant to Section 22955.5 for the purpose of informing the Department of Finance, the Legislature, and the Controller of the state's appropriations pursuant to Sections 22954 and 22955 in each of the fiscal years listed in subdivision (a), the system shall also include the amounts appropriated for transfer to the Supplemental Benefit Maintenance Account in subdivision (a). Upon appropriation, the amounts listed in subdivision (a) may be transferred on or after July 1 in each of the fiscal years indicated.

(c) The appropriation in subdivision (a) fulfills the intent of the Legislature described in Chapter 59 of the Statutes of 2008 to pay interest on the judgment in the case of Teachers' Retirement Board v. Genest and Chiang, Sacramento County Superior Court Case No. 03CS01503.

SEC. 9. Section 22955 of the Education Code is amended to read:

22955. (a) Notwithstanding Section 13340 of the Government Code, commencing July 1, 2003, a continuous appropriation is hereby annually made from the General Fund to the Controller, pursuant to this section, for transfer to the Teachers' Retirement Fund. The total amount of the appropriation for each year shall be equal to 2.017 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based, as reported annually to the Director of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Legislative Analyst pursuant to Section 22955.5, and shall be divided into four equal quarterly payments.

(b) Notwithstanding Section 13340 of the Government Code, commencing October 1, 2003, a continuous appropriation, in addition to the appropriation made by subdivision (a), is hereby annually made from the General Fund to the Controller for transfer to the Teachers' Retirement Fund. The total amount of the appropriation for each year shall be equal to 0.524 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based, as reported annually to the Director of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Legislative Analyst pursuant to Section 22955.5, and shall be divided into four equal quarterly payments. The percentage shall be adjusted to reflect the contribution required to fund the normal cost deficit or the unfunded obligation as determined by the board based upon a recommendation from its actuary. If a rate increase is required, the adjustment may be for no more than 0.25 percent per year and in no case may the transfer made pursuant to this subdivision exceed 1.505 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based. At any time when there is neither an unfunded obligation nor a normal cost deficit, the percentage shall be reduced to zero. The funds transferred pursuant to this subdivision shall first be applied to eliminating on or before June 30, 2027, the unfunded actuarial liability of the fund identified in the actuarial valuation as of June 30, 1997.

(c) For the purposes of this section, the term "normal cost deficit" means the difference between the normal cost rate as determined in the actuarial valuation required by Section 22311 and the total of the member contribution rate required under Section 22901 and the employer contribution rate required under Section 22950, and shall exclude (1) the portion for unused sick leave service credit granted pursuant to Section 22717, and (2) the cost of benefit increases that occur after July 1, 1990. The contribution rates prescribed in Section 22901 and Section 22950 on July 1, 1990, shall be utilized to make the calculations. The normal cost deficit shall then be multiplied by the total of the creditable compensation upon which member contributions under this part are based to determine the dollar amount of the normal cost deficit for the year.

(d) Pursuant to Section 22001 and case law, members are entitled to a financially sound retirement system. It is the intent of the Legislature that this section shall provide the retirement fund stable and full funding over the long term.

(e) This section continues in effect but in a somewhat different form, fully performs, and does not in any way unreasonably impair, the contractual obligations determined by the court in California Teachers' Association v. Cory, 155 Cal.App.3d 494.

(f) Subdivision (b) shall not be construed to be applicable to any unfunded liability resulting from any benefit increase or change in contribution rate under this part that occurs after July 1, 1990.

(g) The provisions of this section shall be construed and implemented to be in conformity with the judicial intent expressed by the court in California Teachers' Association v. Cory, 155 Cal.App.3d 494.

(h) This section shall become operative on July 1, 2003, if the revenue limit cost-of-living adjustment computed by the Superintendent of Public Instruction for the 2001–02 fiscal year is equal to or greater than 3.5 percent. Otherwise this section shall become operative on July 1, 2004.

SEC. 10. Section 22955.5 of the Education Code is amended to read:

22955.5. (a) For purposes of Sections 22954 and 22955, "creditable compensation" shall include only creditable compensation for which member contributions are credited under the Defined Benefit Program.

(b) On or after October 1 and on or before October 25 of each year, beginning in 2008, the board shall calculate the total amount of creditable compensation for the fiscal year that ended on the immediately preceding June 30. For the purpose of informing the Department of Finance and the Legislature of the amount of the state's appropriations pursuant to Sections 22954 and 22955 in the next fiscal year, the system shall immediately submit a report that includes this calculation to the Director of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Legislative Analyst.

(c) After submission of the report described in subdivision (b), on or before the April 15 after submission of the report described in subdivision (b), the system shall notify the Director of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Legislative Analyst of any revisions in its calculation of the total amount of creditable compensation for the fiscal year that ended on the immediately preceding June 30.

(d) The last revised calculation submitted pursuant to subdivision (c) on or before April 15 of each year or, if no such revised calculation is submitted, the calculation in the report submitted pursuant to subdivision (b) shall be the calculation of creditable compensation upon which the state's appropriations pursuant to Sections 22954 and 22955 will be based in the next fiscal year. On or after April 15 and on or before May 1 of each year, the system shall submit to the Controller a copy of this calculation, along with a requested schedule of transfers to be made pursuant to the appropriations in Sections 22954 and 22955 in the next fiscal year beginning on the next July 1. The system shall also provide a copy of this schedule to the Director of Finance and the Legislative Analyst.

SEC. 11. Section 24411 of the Education Code is repealed.

SEC. 12. Section 24412 of the Education Code is amended to read:

24412. (a) The annual revenues deposited to the Teachers' Retirement Fund pursuant to Section 6217.5 of the Public Resources Code are continuously appropriated without regard to fiscal year for the purposes of this section and shall be distributed annually in quarterly supplemental payments commencing on September 1 of each year to retired members, disabled members, and beneficiaries under the Defined Benefit Program. The amount available for distribution in any year shall be the income for that year from the sale or use of school lands and lieu lands, as estimated by the State Lands Commission prior to the beginning of the fiscal year, adjusted by the difference between the estimated and actual income for the preceding fiscal year. The board shall deduct from the revenues an amount necessary for administrative expenses to implement this section.

(b) The net revenues to be distributed shall be allocated among those retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107, whose allowances under the Defined Benefit Program, after applying the annual improvement factor as defined in Section 22140, if any, are below 80 percent of the original purchasing power. The purchasing power calculation for each individual allowance shall be based on the change in the All Urban California Consumer Price Index between June of the calendar year of retirement and June of the fiscal year preceding the fiscal year of the distribution. The allocation shall provide a pro rata share of the amount needed to restore the allowance payable, after application of the current year annual improvement factor to 80 percent of the original purchasing power.

(c) The allowance increase shall not be applicable to annuities payable from the accumulated annuity deposit contributions or the accumulated tax-sheltered annuity contributions.

(d) In any year that the net revenues from school lands and lieu lands is greater than that needed to adjust the allowances of all retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107, under the Defined Benefit Program to 80 percent of the original purchasing power, the net revenues in excess of that needed for distribution shall be used by the board to reduce the unfunded actuarial obligation of the fund, if any.

(e) The board shall inform each recipient of supplemental payments under this section that the increases are not cumulative and are not part of the base allowance.

SEC. 13. Section 24415 of the Education Code is amended to read:

24415. (a) The proceeds of the Supplemental Benefit Maintenance Account shall be distributed annually in quarterly supplemental payments commencing on September 1, 1990, to retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107. The amount available for distribution in any fiscal year shall not exceed the amount necessary to restore purchasing power up to 85 percent of the purchasing power of the initial monthly allowance after the application of all allowance increases authorized by this part, including those specified in Section 24412, and excluding those provided pursuant to Sections 24410.5, 24410.6, and 24410.7.

(b) The net revenues to be distributed shall be allocated among those retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107, whose allowances, after sequentially applying the annual improvement factor as defined in Sections 22140 and 22141, and the annual supplemental payment as specified in Section 24412, have the lowest purchasing power percentage. The purchasing power calculation for each individual shall be based on the change in the All Urban California Consumer Price Index between June of the calendar year of retirement and June of the fiscal year preceding the fiscal year of distribution. In any year in which the purchasing power of the allowances of all retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107, equals not less than 85 percent and additional funds remain from the allocation authorized by this section, those funds shall remain in the Supplemental Benefit Maintenance Account for allocation in future years.

(c) The allowance increase shall not be applicable to annuities payable from the accumulated annuity deposit contributions or the accumulated tax-sheltered annuity contributions.

(d) The increases provided by subdivision (b) are not cumulative, not part of the base allowance, and will be payable only to the extent that funds are available from the Supplemental Benefit

Maintenance Account. The board shall inform each recipient of the contents of this subdivision.

(e) The adjustments authorized by this section are vested only up to the amount payable as a result of the annual appropriation made pursuant to Section 22954 and the adjustments made by the board pursuant to Section 24415.5. The adjustments authorized by this section shall not be included in the base allowance for purposes of calculating the annual improvement defined by Sections 22140 and 22141.

(f) Notwithstanding subdivision (b), for purposes of restoring the purchasing power of benefits provided pursuant to Section 24410.5 for members and beneficiaries receiving benefits pursuant to subdivision (b), the purchasing power calculation shall be based on 85 percent of the change in the All Urban California Consumer Price Index between January 2000 and June of the fiscal year preceding the fiscal year of distribution, after the application of increases authorized by Section 24412 that are made to the allowances provided pursuant to Section 24410.5.

(g) Notwithstanding subdivision (b), for purposes of restoring the purchasing power of benefits provided pursuant to Sections 24410.6 and 24410.7 for members and beneficiaries receiving benefits pursuant to subdivision (b), the purchasing power calculation shall be based on 85 percent of the change in the All Urban California Consumer Price Index between January 2001 and June of the fiscal year preceding the fiscal year of distribution, after the application of increases authorized by Section 24412 that are made to the allowances provided pursuant to Sections 24410.6 and 24410.7.

SEC. 14. Section 24415.5 is added to the Education Code, to read:

24415.5. (a) Notwithstanding any other provision of this chapter, the board shall adjust the purchasing power protection benefits payable pursuant to Sections 24415, 24416, and 24417 in accordance with subdivisions (b) and (c) of this section.

(b) If the board, in adopting the actuarial projection described in subdivision (a) of Section 22954.1, determines that the annual transfers to the Supplemental Benefit Maintenance Account described in Section 22954, combined with all other anticipated sources of income to the account, are likely to be less than sufficient over the term established by the board to continue providing the purchasing power protection being provided at the time of the projection, it shall identify the maximum level of purchasing power protection benefits that it expects to be sustainable over that term, as specified in subdivision (c) of Section 22954.1. The board, upon making the determination specified in subdivision (c) of Section 22954.1, shall reduce the purchasing power protection benefits payable pursuant to Sections 24415, 24416, and 24417 to the maximum sustainable level identified under this subdivision, except that these benefits shall not be adjusted below the 80 percent purchasing power protection level unless the board has made the determination of insufficient funds described in subdivision (a) of Section 24416.

(c) If the board, in adopting the actuarial projection described in subdivision (a) of Section 22954.1, determines that the annual transfers to the Supplemental Benefit Maintenance Account described in Section 22954, combined with all other anticipated sources of income to the account, are likely to be more than sufficient over the term established by the board to continue providing the purchasing power protection being provided at the time of the projection, it shall identify the maximum level of purchasing power protection benefits that it expects to be sustainable over that term, as specified in subdivision (b) of Section 22954.1. The board, upon making the determination specified in subdivision (b) of Section 22954.1, shall increase the purchasing power protection benefits payable pursuant to Sections 24415, 24416, and 24417 to the maximum sustainable level identified under this subdivision, except that these benefits shall not be adjusted above the 85 percent purchasing power protection level.

(d) If the board identifies, pursuant to subdivision (b) of Section 22954.1, that the maximum level of purchasing power protection benefits it expects to be sustainable over the term established by the board is greater than the 85 percent level, it shall develop one or more proposals for options for the use of the anticipated Supplemental Benefit Maintenance Account moneys in excess of those believed to be necessary to sustain purchasing power protection benefits at the 85 percent level over the term established by the board. The options that the board proposes for use of these moneys shall be for the exclusive benefit of members and beneficiaries, and at least one of these proposed options shall be an increase in benefits for any surviving members who retired prior to January 1, 1999, and any surviving beneficiaries of members who retired prior to January 1, 1999. The board shall either include a summary of these proposed options in the report described in subdivision (f) of Section 22954.1 or, within 60 days after submission of that report, submit a separate letter to the recipients of the report described in subdivision (f) of Section 22954.1 that contains a summary of these proposed options. The board shall also submit a summary of these proposed options to the Governor.

(e) The board shall adopt and, after such adoption, may amend and repeal regulations concerning its powers described in this section, and it shall file these regulations, and amended and repealed regulations, with the Secretary of State. The adoption, amendment, or repeal of a regulation authorized by this section is hereby exempted from the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

SEC. 15. Section 24416 of the Education Code is amended to read:

24416. (a) If the board determines by June 30 of the then current fiscal year that the Supplemental Benefit Maintenance Account will not have sufficient funds to provide purchasing power protection benefits, as established in this chapter, of at least 80 percent for the subsequent fiscal year, the board, for that year, may do either, or a combination of the following:

(1) Increase the employer contribution rate commencing in the next fiscal year by an amount that would provide sufficient funds for no more than the estimated difference between the funds in the Supplemental Benefit Maintenance Account and the amount needed to pay the benefit level specified by the board, provided the benefit level is no more than 85 percent. Notwithstanding any other provision of this part, the increase in the employer contribution rate shall only become operative if the increase is approved or authorized in the Budget Act.

(2) Reduce the supplemental benefit payment for the subsequent fiscal year to the amount that can be funded by the available funds in the Supplemental Benefit Maintenance Account.

(b) If the board finds that there is no unfunded obligation, as determined by the board's professional consulting actuary and affirmed by the Director of Finance, then in addition to the authority pursuant to subdivision (a), the board may transfer to an auxiliary Supplemental Benefit Maintenance Account, from any funds that are in excess of the amount needed to fund fully the benefits for which the Teachers' Retirement Fund is liable, an amount that would provide sufficient funds for no more than the estimated difference between the funds in the Supplemental Benefit Maintenance Account and the amount needed to pay the benefit level specified by the board, provided the benefit level is no more than 85 percent.

(c) If the board increases the employer contribution rate pursuant to paragraph (1) of subdivision (a), the increase between the current fiscal year contribution rate and the contribution rate in the next fiscal year, shall not exceed one-quarter of 1 percent of the creditable compensation upon which contributions are based.

SEC. 16. Section 24417 of the Education Code is amended to read:

24417. (a) The proceeds of an auxiliary Supplemental Benefit Maintenance Account shall be distributed annually in quarterly supplemental payments, commencing when funds in the Supplemental Benefit Maintenance Account are insufficient to support 85 percent, to retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107. The amount available for distribution in any fiscal year shall not exceed the amount necessary to restore purchasing power up to 85 percent of the purchasing power of the initial monthly allowance after the application of all allowance increases authorized by this part, including those specified in Sections 24412 and 24415, and excluding those provided pursuant to Sections 24410.5, 24410.6, and 24410.7.

(b) The net revenues to be distributed shall be allocated among those retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107, whose allowances, after sequentially applying the annual improvement factor as defined in Sections 22140 and 22141, and the annual supplemental payment as specified in Sections 24412 and 24415, have the lowest purchasing power percentage. The purchasing power calculation for each individual shall be based on the change in the All Urban California Consumer Price Index between June of the calendar year of the benefit effective date and June of the fiscal year preceding the fiscal year of distribution.

(c) The allowance increase shall not be applicable to annuities payable from the accumulated annuity deposit contributions or the accumulated tax-sheltered annuity contributions.

(d) The increases provided by subdivision (b) are not cumulative, nor part of the base allowance, and will be payable only to the extent that funds are available from the Supplemental Benefit Maintenance Account and the auxiliary Supplemental Benefit Maintenance Account. The board shall inform each recipient of the contents of this subdivision.

(e) The distributions authorized by this section are vested only up to the amount payable as a result of the annual appropriation made pursuant to Section 22954 and the adjustments made by the board pursuant to Section 24415.5. The distributions authorized by this section shall not be included in the base allowance for purposes of calculating the annual improvement defined by Sections 22140 and 22141.

(f) Notwithstanding subdivision (b), for purposes of restoring the purchasing power of benefits provided pursuant to Section 24410.5 for members and beneficiaries receiving benefits pursuant to subdivision (b), the purchasing power calculation shall be based on 85 percent of the change in the All Urban California Consumer Price Index between January 2000 and June of the fiscal year preceding the fiscal year of distribution, after the application of increases authorized by Section 24412 that are made to the allowances provided pursuant to Section 24410.5.

(g) Notwithstanding subdivision (b), for purposes of restoring the purchasing power of benefits provided pursuant to Sections 24410.6 and 24410.7 for members and beneficiaries receiving benefits pursuant to subdivision (b), the purchasing power calculation shall be based on 85 percent of the change in the All Urban California Consumer Price Index between January 2001 and June of the fiscal year preceding the fiscal year of distribution, after the application of increases authorized by Section 24412 that are made to the allowances provided pursuant to Sections 24410.6 and 24410.7.

SEC. 17. Section 24600 of the Education Code is amended to read:

24600. (a) A retirement allowance under this part begins to accrue on the effective date of the member's retirement and ceases on the earlier of the day of the member's death or the day on which the retirement allowance is terminated for a reason other than the member's death.

(b) A retirement allowance payable to an option beneficiary under this part begins to accrue on the day following the day of the retired member's death and ceases on the day of the option beneficiary's death.

(c) A disability allowance under this part begins to accrue on the effective date of the member's disability allowance and ceases on the earlier of the day of the member's death or the day on which the disability allowance is terminated for a reason other than the member's death.

(d) A family allowance under this part begins to accrue on the day following the day of the member's death and ceases on the day of the event that terminates eligibility for the allowance.

(e) A survivor benefit allowance payable to a surviving spouse under this part pursuant to Chapter 23 (commencing with Section 23850) begins to accrue on the day the member would have attained 60 years of age or on the day following the day of the member's death, as elected by the surviving spouse, and ceases on the day of the surviving spouse's death.

(f) A child's portion of an allowance under this part begins to accrue on the effective date of that allowance and ceases on the earlier of either the termination of the child's eligibility or the termination of the allowance.

(g) Supplemental payments issued under this part pursuant to Sections 24412 and 24415 to retired members, disabled members, and beneficiaries shall begin to accrue pursuant to Sections 24412 and 24415 and shall cease to accrue as of the termination dates specified in subdivisions (a) to (f), inclusive, of this section.

(h) Notwithstanding any other provision of this part or other law, distributions payable under the plan with respect to the Defined Benefit Program and the Defined Benefit Supplement Program shall be made in accordance with applicable provisions of the Internal Revenue Code of 1986 and related regulations. The required beginning date of benefit payments that represent the entire interest of the member in the plan with respect to the Defined

Benefit Program and the Defined Benefit Supplement Program shall be either:

(1) In the case of a refund of contributions, as described in Chapter 18 (commencing with Section 23100) of this part and distribution of an amount equal to the balance of credits in a member's Defined Benefit Supplement account, as described in Chapter 38 (commencing with Section 25000) of this part, not later than April 1 of the calendar year following the later of (A) the calendar year in which the member attains the age at which the Internal Revenue Code of 1986 requires a distribution of benefits or (B) the calendar year in which the member terminates employment within the meaning of subdivision (i).

(2) In the case of a retirement allowance, as defined in Section 22166, not later than April 1 of the calendar year following the later of (A) the calendar year in which the member attains the age at which the Internal Revenue Code of 1986 requires a distribution of benefits or (B) the calendar year in which the member terminates employment within the meaning of subdivision (i), to continue over the life of the member or the lives of the member and the member's option beneficiary, or over the life expectancy of the member or the life expectancy of the member and the member's option beneficiary.

(i) For purposes of subdivision (h), the phrase "terminates employment" means the later of:

(1) The date the member ceases to perform creditable service subject to coverage under this plan.

(2) The date the member ceases employment in a position subject to coverage under another public retirement system in this state if the compensation earnable while a member of the other system may be considered in the determination of final compensation pursuant to Section 22134, 22135, or 22136.

SEC. 18. Section 13001 of the Fish and Game Code is amended to read:

13001. (a) Unless otherwise provided, all money collected under the provisions of this code and of any other law relating to the protection and preservation of birds, mammals, fish, reptiles, or amphibia shall be paid into the State Treasury to the credit of the Fish and Game Preservation Fund.

(b) Notwithstanding any other provision of law, the Controller may use the Fish and Game Preservation Fund for loans to the

General Fund as provided in Sections 16310 and 16381 of the Government Code.

SEC. 19. Section 4101.4 is added to the Food and Agricultural Code, to read:

4101.4. (a) The Legislature finds and declares that the operation of the California Science Center may require individual skills not generally available in state civil service to support specialized functions, such as exhibit maintenance, and educational and guest services programs, including animal care and horticulture.

(b) Notwithstanding any other provision of law, the California Science Center may enter into a personal services contract or contracts with the California Science Center Foundation without a competitive bidding process. These contracts shall be subject to approval by the State and Consumer Services Agency and the Department of General Services and be subject to all state audit requirements.

SEC. 20. Section 8544.5 of the Government Code is amended to read:

8544.5. (a) There is hereby established in the State Treasury the State Audit Fund. Notwithstanding Section 13340, the State Audit Fund is continuously appropriated for the expenses of the State Auditor. There shall be appropriated annually in the Budget Act to the State Audit Fund, from the General Fund and the Central Service Cost Recovery Fund, the amount necessary to reimburse the State Audit Fund for the cost of audits to be performed that are not directly reimbursed under subdivision (c). "Cost of audits" means all direct and indirect costs of conducting the audits and any other expenses incurred by the State Auditor in fulfilling his or her statutory responsibilities.

(b) With regard to the funds appropriated pursuant to subdivision (a), upon certification by the State Auditor of estimated costs on a monthly basis, the Controller shall transfer the amount thus certified from the General Fund or the Central Service Cost Recovery Fund, as applicable, to the State Audit Fund. The Controller shall thereafter issue warrants drawn against the State Audit Fund upon receipt of claims certified by the State Auditor.

(c) To ensure appropriate reimbursement from federal and special funds for the costs of the duties performed pursuant to Section 8546.3, the State Auditor may directly bill state agencies for the costs incurred, subject to the approval of the Director of Finance.

(d) To ensure adequate oversight of the operations of the bureau, the Milton Marks “Little Hoover” Commission on California State Government Organization and Economy shall annually obtain the services of an independent public accountant to audit the State Audit Fund and the operation of the bureau to assure compliance with state law, including Section 8546. The results of this audit shall be submitted to the commission and shall be a public record.

(e) To ensure that audits of the Milton Marks “Little Hoover” Commission on California State Government Organization and Economy are conducted in conformity with government auditing standards, any audit of the commission that is required or permitted by law shall be conducted by the independent public accountant selected pursuant to subdivision (d).

SEC. 21. Section 11032 of the Government Code is amended to read:

11032. Any state officer or employee of any state agency may confer with other persons, associations, or organizations outside of the state whenever it may be of assistance in the conduct of state business. Actual and necessary expenses for travel outside of the state as authorized by this section shall be allowed when approved by the Governor. This section shall not apply to employees of any legislative committee or to the Legislative Counsel or his or her employees.

SEC. 22. Section 11033 of the Government Code is amended to read:

11033. No state officer or employee shall absent himself or herself from the state on business of the state without the prior approval of the Governor, except when the absence is for less than five consecutive working days’ duration and involves only travel into states bordering upon this state. This section shall not apply to elective state officers, employees of any legislative committee, or to the Legislative Counsel or his or her employees.

SEC. 23. Section 11270 of the Government Code is amended to read:

11270. As used in this article, “administrative costs” means the amounts expended by the Legislature, the Legislative Counsel Bureau, the office of the Governor, the office of the State Chief Information Officer, the Office of Planning and Research, the

Department of Justice, the office of the Controller, the office of the Treasurer, the State Personnel Board, the Department of Finance, the Office of Administrative Law, the Department of Personnel Administration, the Secretary of the State and Consumer Services Agency, the Secretary of the California Health and Human Services Agency, the Bureau of State Audits, and the California State Library, and a proration of any other cost to or expense of the state for services or facilities provided for the Legislature and the above agencies, for supervision or administration of the state government or for services to other state agencies.

SEC. 24. Section 11270.1 is added to the Government Code, to read:

11270.1. (a) The Central Service Cost Recovery Fund is hereby created in the State Treasury. The Central Service Cost Recovery Fund shall consist of those amounts transferred in accordance with Section 11274, and any interest earnings. Money in the Central Service Cost Recovery Fund shall be appropriated for the administration of the state government, as determined or redetermined by the Director of Finance in accordance with this article and Sections 13332.02 and 13332.03.

(b) Unless otherwise authorized by law, moneys in the Central Service Cost Recovery Fund, to the extent not currently required to fund any appropriation, shall not be used, loaned, borrowed, assessed, allocated, or transferred unless approved by the Director of Finance, except for cashflow borrowing by the General Fund pursuant to Section 16310. The Controller shall transfer the unexpended balance of those moneys in the Central Service Cost Recovery Fund to the General Fund as determined or redetermined by the Director of Finance.

SEC. 25. Section 11271 of the Government Code is amended to read:

11271. The Department of Finance shall determine, and may at any time redetermine, which funds, other than the General Fund and the Central Service Cost Recovery Fund, and which functions or activities of the Department of Water Resources supported by the General Fund, shall be charged a share of administrative costs as to the function supported by that fund and the amount that shall be charged against that fund as its fair share of administrative costs. The costs shall be a charge against any fund or special account in the General Fund, other than the Central Service Cost Recovery Fund, so designated by the Department of Finance.

For purposes of this section, a special account or fund in the General Fund shall not be considered the General Fund.

SEC. 26. Section 11272 of the Government Code is amended to read:

11272. (a) In determining or redetermining the fair share, the Department of Finance may consider the factors of cost distribution and cost estimation as it deems necessary, except that, as to the proceeds of those taxes, the use of which is restricted by Article XIX of the California Constitution, the Department of Finance shall assess only those administrative costs ascertained as being necessarily incurred in connection with highway purposes as set forth in the article. As to funds collected pursuant to Section 221 of the Food and Agricultural Code, the Department of Finance shall assess only those administrative costs incurred in connection with the enforcement of the law under which the funds were derived.

(b) In determining the share of costs to be borne by the California Exposition and State Fair, the Department of Finance shall take into account any reduction in the services provided to the California Exposition and State Fair as a consequence of the assumption of the various functions that the California Exposition and State Fair is authorized to assume by the act that amended this section during the 1997–98 Regular Legislative Session, and shall reduce the fair share of the California Exposition and State Fair accordingly. From its operating funds, the California Exposition and State Fair shall reimburse the Central Service Cost Recovery Fund or the General Fund, in accordance with subdivision (b) of Section 11274, for its share of costs determined pursuant to this subdivision.

SEC. 27. Section 11274 of the Government Code is amended to read:

11274. (a) The Department of Finance shall certify annually to the Controller the amount determined to be the fair share of administrative costs due and payable from each state agency and shall certify forthwith to the Controller any amount redetermined to be the fair share of administrative costs due and payable from any state agency. The Controller shall forthwith transmit to each state agency from which administrative costs have been determined or redetermined to be due, a statement in writing setting forth the amount of the administrative costs due from the state agency, and stating that, unless a written request to defer payment thereof is filed by the state agency with the Controller within 30 days after the mailing of the statement by the Controller to the state agency, the Controller will transfer the amount of the administrative costs from the special fund or funds chargeable therewith to the Central Service Cost Recovery Fund or the General Fund, in accordance with subdivision (b). The Controller shall specify on the statement the special fund appropriations to be charged at the time transfers are made covering the administrative costs.

(b) The Controller shall transfer one-fourth of the amount determined or redetermined, in accordance with subdivision (a), on August 15, November 15, February 15, and May 15 of each fiscal year, unless revised by the Department of Finance. The transfers made pursuant to this section and Section 13332.03 shall first be made to the Central Service Cost Recovery Fund until the total amount transferred equals the sum of the total amount determined or redetermined in accordance with subdivision (a) and the total amount to be recovered from the federal government pursuant to Section 13332.02 as determined by the Department of Finance. All subsequent transfers for that fiscal year shall then be made to the General Fund.

SEC. 28. Section 11276 of the Government Code is amended to read:

11276. The Department of Finance may certify at any time during the year to the Controller any amount as it determines, based upon experience of the preceding year, to be a reasonable advance for administrative costs to be made from the appropriation of each state agency supported from a fund, designated in accordance with Section 11271. The Controller shall forthwith transmit to each of these state agencies a statement in writing setting forth the amount of the advance and stating that unless a written request to defer payment thereof because of lack of availability of funds is filed by the state agency with the Department of Finance within 30 days after the mailing of the statement by the Controller to the state agency, the Controller will transfer the amount of the advance from the special fund or funds concerned to the Central Service Cost Recovery Fund or the General Fund in accordance with subdivision (b) of Section 11274.

The Controller shall specify on the statement the special fund appropriation to be charged.

SEC. 29. Section 11277 of the Government Code is amended to read:

11277. If, upon receipt of the statement provided in Section 11276, the state agency does not have funds available by law for the payment of the advance, the state agency shall, prior to the expiration of the 30-day period referred to in that statement, file with the Controller, in duplicate, a written request to defer payment of the advance. Upon receipt of such a request, the Controller shall forthwith transmit one copy of that request to the Department of Finance and shall defer action to effect the transfer of funds covering the advance referred to in the request until the transfer has been approved by the Director of Finance. Any advance made under this article shall be applied against the state agency's fair share of administrative costs determined or redetermined as provided in Section 11274 and Section 11275. If the amount advanced exceeds the state agency's fair share of administrative costs, the Controller shall transfer from the Central Service Cost Recovery Fund or the General Fund, as applicable, to the special fund appropriation the excess amount advanced as directed by the Department of Finance.

SEC. 30. Section 13300 of the Government Code is amended to read:

13300. (a) The department shall devise, install, supervise, and, at its discretion, revise and modify, a modern and complete accounting system and policies for each agency of the state permitted or charged by law with the handling of public money or its equivalent, to the end that all revenues, expenditures, receipts, disbursements, resources, obligations, and property of the state be properly, accurately, and systematically accounted for and that there shall be obtained accurate and comparable records, reports, and statements of all the financial affairs of the state.

(b) This system shall permit a comparison of budgeted expenditures, actual expenditures, encumbrances and payables, and estimated revenue to actual revenue that is compatible with a budget coding system developed by the department. In addition, the system shall provide for a federal revenue accounting system with cross-references of federal fund sources to state activities.

(c) This system shall include a cost accounting system that accounts for expenditures by line item, governmental unit, and fund source. The system shall also be capable of performing program cost accounting as required. The system and the accounts maintained by all state departments and agencies shall be coordinated with the central accounts maintained by the Controller, and shall provide the Controller with all information necessary to the maintenance by the Controller of a comprehensive system of central accounts for the entire state government.

(d) Beginning with the 2008–09 fiscal year, the Department of Finance, the Controller, the Treasurer, and the Department of General Services shall partner to design, develop, and implement the Financial Information System for California Project to meet the requirements of subdivisions (a), (b), and (c), and the FISCal Project documents, as established in the FISCal Special Project Report dated October 30, 2006, as revised on December 14, 2006, as amended by the FISCal Special Project Report dated November 9, 2007, as revised on December 19, 2007, and as amended, augmented, or changed by any subsequent approved Special Project Report.

SEC. 31. Section 13302 of the Government Code is amended to read:

13302. The accounting system devised as provided in Section 13300 shall provide, with respect to the General Fund and other governmental funds, for:

(a) The accrual of expenditures as of the end of each fiscal year on the basis of payables incurred, excluding accrued interest on general obligation bonded indebtedness.

(b) (1) The accrual of revenues at the end of the fiscal year if the underlying transaction has occurred as of the last day of the fiscal year, the amount is measurable, and the actual collection will occur either during the current period or after the end of the current period but in time to pay current year-end liabilities.

(2) Cash in agency trust accounts within the centralized State Treasury system that is in transit to the State Treasury, accrued interest receivable, and accounts receivable shall be accrued as of the end of each fiscal year.

(c) For the purposes of financial reporting:

(1) A payable exists when goods or services have been delivered and the state is required to pay for those goods or services, and an

encumbrance exists when a valid obligation against an appropriation has been created.

(2) All funds appropriated shall be identified as either expended, payable, encumbered (exclusive of payables), or unencumbered, as further defined by the California Fiscal Advisory Board, and the total of these shall equal the total appropriation.

SEC. 32. Section 13311 is added to the Government Code, to read:

13311. (a) Notwithstanding any other provision of law, in order to achieve effective management of state cash resources, the Director of Finance may defer payment of General Fund moneys, in a cumulative amount not to exceed five hundred million dollars ($500,000,000) annually, appropriated to the University of California in the annual Budget Act.

(b) The payment of the amount deferred shall be in May or June, as established by the Director of Finance, of the same fiscal year that the original payment would have been made.

SEC. 33. Section 13312 is added to the Government Code, to read:

13312. (a) (1) Commencing with the 2008–09 fiscal year, and notwithstanding any other provision of law, if after the annual Budget Act is enacted, the Director of Finance determines that General Fund total available resources for the fiscal year will decline substantially below the estimate of General Fund total resources available upon which the Budget Act was based, or that General Fund expenditures will increase substantially above that estimate of General Fund total resources available, the director may make reductions pursuant to subdivision (b).

(2) For purposes of this subdivision, "total resources available" includes prior year balance and revenues and transfers for the fiscal year.

(b) Upon making a determination as described in subdivision (a), the Director of Finance, in consultation with agency secretaries and other cabinet members, may reduce General Fund items of appropriation, subject to both of the following:

(1) The Director of Finance shall not reduce, pursuant to this section, the amounts appropriated for any of the following:

(A) The Legislature.

(B) Constitutional officers.

(C) Transfers pursuant to the Article XIX B of the California Constitution.

(D) Debt service, including, but not limited to, tobacco settlement revenue shortfalls, payment of interest on General Fund loans, and interest payments to the federal government.

(E) Health and dental benefits for annuitants.

(F) Equity claims before the California Victim Compensation and Government Claims Board.

(G) Augmentations for contingencies or emergencies.

(H) Local assistance appropriations.

(2) A General Fund state operations or capital outlay item of appropriation, and a program or category designated in any line of any schedule set forth by that appropriation, may not be reduced by more than 7 percent.

(c) Notwithstanding any provision of law to the contrary, any cost-of-living adjustment or rate increase funded in an annual Budget Act shall be subject to the following conditions:

(1) If the Director of Finance determines that suspension by up to 120 days of the effective date of a cost-of-living adjustment or rate increase funded in an annual Budget Act is necessary to mitigate conditions that would authorize the issuance of a proclamation declaring a fiscal emergency pursuant to subdivision (f) of Section 10 of Article IV of the California Constitution, that cost-of-living adjustment or rate increase shall not take effect during that time.

(2) (A) If the Governor issues a proclamation declaring a fiscal emergency pursuant to subdivision (f) of Section 10 of Article IV of the California Constitution, then no cost-of-living adjustment or rate increase funded in the annual Budget Act for that fiscal year shall take effect until the Legislature passes and sends to the Governor a bill or bills to address the fiscal emergency.

(B) Commencing with the 2009–10 fiscal year, the annual Budget Act shall include a section specifying the cost-of-living adjustments or rate increases included in the Budget Act or authorized by other statutes which may be suspended pursuant to this paragraph.

(d) The Director of Finance shall report to the Chair of the Joint Legislative Budget Committee and the chairs of the committees of each house of the Legislature that consider appropriations not less than 30 days prior to making reductions pursuant to this section. The report shall list the specific reductions, by department, agency, and program, and state the programmatic effects and impacts of each reduction.

(e) Cost-of-living adjustments for purposes of this section shall not include any apportionments made to fund a cost-of-living adjustment to augment appropriations made pursuant to Section 2558 of the Education Code, for county office of education revenue limits, or Section 42238 of the Education Code, for school district revenue limits.

(f) Nothing within this section shall be construed to confer any authority upon the Director of Finance to modify or eliminate any provision of existing law.

SEC. 34. Section 13332.02 of the Government Code is amended to read:

13332.02. All funds recovered from the federal government to offset statewide indirect costs shall be transferred to the Central Service Cost Recovery Fund or to the unappropriated surplus of the General Fund in a manner prescribed by the Department of Finance, unless expenditure of the funds is authorized by the Department of Finance. No authorization may become effective sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine. If in the judgment of the Director of Finance, a state agency has not transferred the funds on a timely basis, the director may certify to the Controller the amount that the agency should have transferred to the Central Service Cost Recovery Fund or the General Fund, and the Controller shall transfer the funds to the Central Service Cost Recovery Fund or the General Fund.

SEC. 35. Section 13332.03 of the Government Code is amended to read:

13332.03. Whenever an appropriation has not been made to provide for recovery of general administrative costs pursuant to Article 2 (commencing with Section 11270) of Chapter 3 of Part 1, a sufficient sum for that purpose shall be transferred from each affected fund by the Controller to the Central Service Cost Recovery Fund or the unappropriated surplus of the General Fund in accordance with subdivision (b) of Section 11274. The Controller shall make transfers pursuant to this section only upon order of the Director of Finance.

SEC. 36. Section 13997.4 of the Government Code is repealed.

SEC. 37. Section 15814.28 is added to the Government Code, to read:

15814.28. The department shall, no later than March 1, 2009, and biennially thereafter, make the recommendations required in Section 15814.22, and report on all of the following for projects under its jurisdiction:

(a) The progress made toward implementing energy efficiency measures in state facilities.

(b) The most common energy efficiency measures being implemented.

(c) The obstacles preventing further implementation of energy efficiency measures.

(d) How current efforts and ideas can be incorporated into the Governor's five-year infrastructure plan described in Section 13102.

SEC. 38. Chapter 7 (commencing with Section 15849.20) is added to Part 10b of Division 3 of Title 2 of the Government Code, to read:

Chapter 7. The Financial Information System for California

15849.20. For purposes of this chapter and the issuance of debt pursuant to this part, the following terms shall have the following meanings:

(a) "Acquire" has the same meaning as in Section 15802 and, in addition, includes acquisition by development.

(b) "Approved FISCal Project documents" means the FISCal Special Project Report dated October 30, 2006, as revised on December 14, 2006, as amended by the FISCal Special Project Report dated November 9, 2007, revised on December 19, 2007, and as amended, augmented, or changed by any subsequent approved Special Project Report or legislative action.

(c) "Cost or costs of the FISCal system" means the cost of a public building, including, but not limited to, the acquisition, design, development, installation, and deployment of the system, and the acquisition, development, installation, implementation, and deployment of enterprise resource planning software, other ancillary software, hardware, licenses, upgrades, independent verification and validation, and related training and facilities to acquire, develop, install, implement, and deploy the system. Cost or costs of the system also includes staff and contractor costs and expenses related to the FISCal system. Cost or costs of the FISCal system does not include the cost of the ongoing operation and maintenance of the FISCal system or debt service for the FISCal system.

(d) "Debt service for the FISCal system" means principal of; premium, if any; and interest on, bonds or certificates issued to finance and refinance the costs of the FISCal system and payments pursuant to agreements providing security or liquidity for those bonds or certificates.

(e) "FISCal" means the Financial Information System for California.

(f) "Interim financing" means any financing issued or obtained in accordance with this chapter and this part to finance the costs of the FISCal system on an interim basis, including any loan from the General Fund, any loan from the Pooled Money Investment Account, and negotiable notes, including commercial paper notes or other forms of negotiable short-term indebtedness and negotiable bond anticipation notes.

(g) "Notes" means negotiable notes, including commercial paper notes or other forms of negotiable short-term indebtedness or negotiable bond anticipation notes and any renewals thereof.

(h) (1) Except as specified in paragraph (2), "office" means the FISCal Project Office in the Department of Finance.

(2) Upon the establishment of an Office of the Financial Information System for California, "office" shall mean the Office of the Financial Information System for California, and shall no longer be construed to mean the FISCal Project Office in the Department of Finance.

(i) "Public building" has the same meaning as set forth in subdivision (c) of Section 15802 and includes the FISCal system.

(j) "State departments and agencies" means all state offices, officers, departments, divisions, bureaus, boards, commissions, organizations, or agencies, claims against which are paid by warrants drawn by the Controller, and whose financial activities are reported in the annual financial statement of the state or are included in the annual Governor's Budget, including, but not limited to, the California State University and the University of California.

(k) "System" or "FISCal system" means a single integrated financial management system for the state that encompasses the management of resources and dollars in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management, and human resources management, as included in the approved FISCal Project documents.

15849.22. (a) (1) To serve the best interests of the state by optimizing the financial business management of the state, the Department of Finance, the Controller, the Treasurer, and the Department of General Services shall collaboratively develop, implement, utilize, maintain, and operate the FISCal system. The development of the FISCal system should ensure best business practices, embrace opportunities to reengineer the state's business processes to leverage the inherent efficiencies in enterprise resource planning tools, and encompass the management of resources and funds in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management, and human resources management.

(2) (A) Except as specified in subparagraph (B), the FISCal Project Office in the Department of Finance shall implement the requirements of paragraph (1).

(B) Upon the establishment of an Office of the Financial Information System for California, the Office of the Financial Information System for California shall implement the requirements of paragraph (1), and the FISCal Project Office in the Department of Finance shall no longer implement those requirements.

(b) (1) All state departments and agencies shall use the FISCal system. The FISCal system shall replace any existing central or departmental systems duplicative of the functionality of the FISCal system.

(2) The FISCal system shall first be developed and used in partnership with a select number of departments, including the officers and departments identified in subdivision (a). Once the

FISCal system has developed end-to-end processes that will meet the financial management needs of all state departments and agencies and have proven to be effective, operationally efficient, and secure, the FISCal system shall be implemented, in phases, at all remaining state departments and agencies.

(c) The Legislature intends that the FISCal system meet the following objectives:

(1) Replace the state's aging legacy financial management systems while the workforce with knowledge of those systems is still present and able to facilitate the transition to a standardized, modernized, and supportable system that is independent of institutional memory.

(2) Increase transparency to provide a better basis for decisionmaking and the sharing of knowledge with the public, the state's business partners, and the Legislature.

(3) Provide timely, accurate, complete, and integrated financial data.

(4) Streamline government operations by giving managers, end-users, and stakeholders easy access to timely and accurate information.

(5) Eliminate redundant systems and processes by integrating all financial information into a single system.

(6) Increase fiscal accountability and control at all levels of state government.

(7) Automate and standardize reporting mechanisms.

(8) Support project, grant, and activity-based reporting at multiple levels.

(9) Provide timely and comprehensive information to improve cash management.

(10) Permit state departments and agencies to shift their efforts from processing and reconciliation of financial information to analysis.

(11) Provide the ability to timely and efficiently perform management and analysis of system data.

(12) Support the state's succession planning for much of the financial management workforce through system modernization.

(d) (1) The Legislature recognizes that the FISCal system will be developed in the departments listed in paragraph (1) of subdivision (a) and in a series of waves described more fully in the Approved FISCal Project documents. Wave One shall consist of the Department of Social Services, the Board of Equalization, the Department of Justice, and the Department of Parks and Recreation. “Phase One” of the FISCal system shall consist of the Wave One departments listed in this paragraph and the departments and officers listed in paragraph (1) of subdivision (a). “Phase Two” of the FISCal system shall consist of all the subsequent waves described in the Approved FISCal Project documents.

(2) Implementation of the FISCal system shall be limited to Phase One and to the activities described in paragraph (3) until both of the following conditions are met:

(A) The report described in subdivision (e) has been submitted to the Legislature.

(B) The Legislature provides express authorization to proceed with Phase Two implementation in the annual Budget Act or other statute.

(3) Until legislative approval for Phase Two implementation is provided pursuant to paragraph (2), preparation activities for Phase Two implementation shall be limited to existing Phase One project resources and shall not disrupt the mission and operations of Phase Two departments.

(e) By March 1 of the year following the year in which Phase One is implemented the office shall submit a report to the Legislature that includes, but is not limited to, the following matters:

(1) Information about the results of the business process reengineering and software configuration in the Department of Finance, the Department of General Services, the Controller, and the Treasurer.

(2) The results of user acceptance testing and system implementation in the Department of Social Services, the Board of Equalization, the Department of Justice, and the Department of Parks and Recreation.

(3) Lessons learned during Phase One implementation and their impact on subsequent FISCal system activities.

(4) Documentation of any systems or manual processes supplanted by Phase One of FISCal system implementation.

(f) (1) Throughout the development of the FISCal system, the Bureau of State Audits shall independently monitor the FISCal system as deemed appropriate by the State Auditor. The bureau’s independent monitoring of the FISCal system shall include, but not be limited to, the following duties:

(A) Monitoring the contract for independent project oversight (IPO) and independent verification and validation (IV&V) services relating to the FISCal system.

(B) Assessing whether concerns about the FISCal project raised by the IPO and IV&V are being addressed by the office and the steering committee of the office.

(C) Assessing whether the FISCal system is progressing timely and within its budget.

(2) The bureau shall report, at a minimum, annually prior to January 10, on the FISCal system activities that the bureau deems appropriate to monitor pursuant to this subdivision in a manner consistent with Chapter 6.5 (commencing with Section 8543) of Division 1.

(3) Nothing in this subdivision shall supersede or compromise the Chief Information Officer's oversight authority and responsibilities with respect to the FISCal system.

15849.24. The board may issue bonds, notes, or certificates to finance and to refinance the costs of the FISCal system pursuant to this chapter and this part. All of the provisions of this part apply to this chapter except Chapter 3 (commencing with Section 15815), Section 15845 and any requirements of this part regarding the Public Buildings Construction Fund, Section 15848, Section 15849.2, and any other exceptions otherwise set forth in this chapter. Proceeds from the bonds, notes, or certificates may be used to repay any interim financing for the costs of the FISCal system. Proceeds from the bonds, notes, or certificates may be used to pay for the cost of the FISCal system, for all additional costs authorized by Section 15849.6, and for the cost of providing security or liquidity for the bonds, notes, or certificates issued pursuant to this chapter and this part. Proceeds from the bonds, notes, or certificates shall not be used for the ongoing operation and maintenance of the FISCal system.

15849.26. (a) The board may issue bonds, notes, or certificates in accordance with this chapter and this part to finance up to the amount of two hundred seventy-seven million dollars ($277,000,000) of the cost of the FISCal system.

(b) Notwithstanding subdivision (a), if subsequently authorized by the Legislature, the board may issue bonds, notes, or certificates to finance the cost of the FISCal system in excess of the limitation described in subdivision (a). However, in no event shall the total amount of the cost of the FISCal system financed exceed one billion three hundred sixty-two million dollars ($1,362,000,000).

(c) The monetary limitations set forth in subdivisions (a) and (b) shall not limit the amount of any bonds, notes, or certificates issued by the board to refinance the cost of the FISCal system.

(d) It is the intent of the Legislature that, to the extent possible, the cost of the FISCal system be paid for by appropriations made by the Legislature from the General Fund and from special fund moneys and by federal funding rather than by the issuance of bonds, notes, or certificates authorized by this chapter.

(e) Nothing in this chapter shall be construed as a mechanism to fund a year-end state budget deficit as that term is used in Section 1.3 of Article XVI of the California Constitution. None of the proceeds of the bonds, notes, or certificates issued pursuant to this chapter and this part may be used to fund a year-end state budget deficit as defined in Section 1.3 of Article XVI of the California Constitution.

15849.28. (a) Notwithstanding Section 15849.1 and any other provision of law permitting withdrawal of funds from the General Fund to pay for the cost of the FISCal system, the Department of Finance may authorize loans from the General Fund that may, as determined by the Director of Finance, be made without interest. The board may also request a loan from the Pooled Money Investment Account to pay for the cost of the FISCal system.

(b) The Controller shall deposit the loan proceeds in the FISCal Internal Services Fund, created pursuant to Section 15849.35, and those moneys shall be expended for the costs of the FISCal system or to repay other loans obtained for the cost of the FISCal system or for both purposes. The loan amounts shall not exceed the amount of any unsold bonds, notes, or certificates that the board has, by resolution, authorized to be sold for the purposes of this chapter.

15849.30. The board and the office may execute and deliver any lease, contract, agreement, or other document to permit the issuance or securitization of bonds, notes, or certificates to finance or refinance the cost of the FISCal system. Any such lease, contract, and agreement, as well as any bond, note, and certificate, and any disclosure document marketing those bonds, notes, or certificates shall contain language to the effect that the obligation to pay debt service for the FISCal system is subject to, and conditioned upon, the Legislature annually appropriating funds and that the Legislature is not required to appropriate any funds for that purpose.

15849.34. (a) After January 1, 2009, the office shall establish rates and a payment schedule for state departments and agencies to use the FISCal system, and may enter into any necessary agreements with those state departments and agencies for the payment for FISCal system usage and services.

(b) Rates for use of the FISCal system shall include the costs of the FISCal system, the ongoing maintenance and operation of the FISCal system, and debt service for the FISCal system. Debt service for the FISCal system shall be considered an operation cost for accounting purposes. The rates shall be based on an interim cost allocation plan until statistically valid usage data is available to establish a transaction-based cost allocation plan.

(c) The office shall submit the proposed rates, the methodology used to develop the rates, and the payment schedule to the Department of Finance during the regular budget development processes for review and approval. Any changes in rates or methodology shall be submitted by the office concurrently with budget requests it submits to the Department of Finance.

15849.35. (a) The FISCal Internal Services Fund and the FISCal Support Fund are hereby created in the State Treasury.

(b) All funds received pursuant to Section 15849.34 shall be deposited in the FISCal Support Fund. Upon appropriation by the Legislature, funds in the FISCal Support Fund shall be transferred by the Controller into the FISCal Internal Services Fund.

(c) The Controller shall create within the FISCal Internal Services Fund an Operations and Maintenance Subaccount. Funds in this subaccount shall be available for operations and maintenance of the FISCal system including, but not limited to, administrative expenses of the board, the office, or for other purposes authorized by this chapter or in any related indenture or agreement for FISCal services.

(d) The Controller shall create within the FISCal Internal Services Fund a Development Subaccount. Funds in this subaccount shall be available for costs of the FISCal system.

(e) (1) Notwithstanding Section 13340, the funds in the FISCal Internal Services Fund and the Development Subaccount and the

Operations and Maintenance Subaccount in that fund are hereby continuously appropriated to the office, without regard to fiscal year for the development, operations, and maintenance of the FISCal System.

(2) Notwithstanding any other provision of law, funds shall be available for payment of the debt service for the FISCal system only upon annual appropriation by the Legislature.

(f) Moneys in the FISCal Support Fund are available for cashflow borrowing by the General Fund pursuant to Section 16310.

15849.36. (a) The Controller shall create the FISCal System Development Fund in the State Treasury.

(b) The Controller shall create within the FISCal System Development Fund separate accounts for the proceeds of each series of bonds, notes, or certificates authorized pursuant to this chapter and this part. The money deposited in each separate account may be expended for the costs of the FISCal system and for additional costs authorized by Section 15849.24.

(c) Moneys in the FISCal System Development Fund shall be transferred by the Controller to the Development Subaccount in the FISCal Internal Services Fund for the 2008–09 fiscal year for the costs of the FISCal system. Transfers shall be made by the Controller in subsequent fiscal years from the FISCal System Development Fund to the Development Subaccount in the FISCal Internal Services Fund upon annual appropriation by the Legislature.

15849.38. (a) The Controller shall create the FISCal Debt Service Fund within the State Treasury. Moneys in this fund shall be available only upon annual appropriation by the Legislature for the payment of debt service for the FISCal system that is scheduled to be paid in the fiscal year during which the appropriation is made and for the redemption or retirement of bonds, notes, or certificates issued pursuant to this chapter and this part.

(b) Moneys for the payment of debt service for the FISCal System shall be transferred by the Controller from the Operations and Maintenance Subaccount of the FISCal Internal Services Fund to the FISCal Debt Service Fund only upon annual appropriation by the Legislature.

SEC. 39. Section 15849.6 of the Government Code is amended to read:

15849.6. Notwithstanding any provision of this part to the contrary, the board may issue bonds, notes, or other obligations to finance the acquisition or construction of a public building, facility, or equipment as authorized by the Legislature, in the total amount authorized by the Legislature, and any additional amount authorized by the board to pay the cost of financing. This additional amount may include interest during acquisition or interest prior to, during, and for a period of six months after construction of the public building, facility, or equipment, interest payable on any interim loan for the public building, facility, or equipment from the General Fund or from the Pooled Money Investment Account, a reasonably required reserve fund, and the costs of issuance of any interim financing and permanent financing after completion of the construction or acquisition of the public building, facility, or equipment.

This section shall be applicable to, but not limited to, bonds, notes, or obligations of the board that were authorized by appropriations of the Legislature made prior to the effective date of this section.

SEC. 40. Section 16142 of the Government Code is amended to read:

16142. (a) The Secretary of the Resources Agency shall direct the Controller to pay annually out of the funds appropriated by Section 16140, to each eligible county, city, or city and county, the following amounts for each acre of land within its regulatory jurisdiction that is assessed pursuant to Section 423, 423.3, 423.4, or 423.5, or 426 if it was previously assessed under Section 423.4, of the Revenue and Taxation Code:

(1) Five dollars ($5) for prime agricultural land, as defined in Section 51201.

(2) One dollar ($1) for all land, other than prime agricultural land, which is devoted to open-space uses of statewide significance, as defined in Section 16143.

(b) The amount per acre in paragraph (1) of subdivision (a) may be increased by the Secretary of the Resources Agency to a figure which would offset any savings due to a more restrictive determination by the secretary as to what land is devoted to open-space use of statewide significance.

(c) The amount per acre in subdivision (a) shall only be paid for 10 years from the date that the land was first assessed pursuant to Section 426 of the Revenue and Taxation Code, if it was previously assessed under Section 423.4 of that code.

(d) Notwithstanding any other provision of law, for the 2008–09 fiscal year and each fiscal year thereafter, the Controller shall reduce, by 10 percent, any payment made pursuant to this subdivision.

SEC. 41. Section 16142.1 of the Government Code is amended to read:

16142.1. (a) In lieu of the payments made pursuant to Section 16142, in a county that has adopted farmland security zones pursuant to Section 51296, the Secretary of the Resources Agency shall direct the Controller to pay annually out of the funds appropriated by Section 16140, to each eligible county, city, or city and county, the following amount for each acre of land within its regulatory jurisdiction that is assessed pursuant to Section 423.4 or 426 of the Revenue and Taxation Code, if it was previously assessed under Section 423.4 of that code:

Eight dollars ($8) for land that is within, or within three miles of the boundaries of the sphere of influence of, each incorporated city.

(b) The amount per acre in subdivision (a) shall only be paid for 10 years from the date that the land was first assessed pursuant to Section 426 of the Revenue and Taxation Code, if it was previously assessed under Section 423.4 of that code. The appropriation authorized by this subdivision shall not exceed one hundred thousand dollars ($100,000) per year until 2005.

(c) Notwithstanding any other provision of law, for the 2008–09 fiscal year and each fiscal year thereafter, the Controller shall reduce, by 10 percent, any payments made pursuant to this subdivision.

SEC. 42. Section 16144 of the Government Code is amended to read:

16144. On or before October 31 each year, the governing body of each county, city, or city and county shall report to the Secretary of the Resources Agency the number of acres of land under its regulatory jurisdiction which qualify for state payments pursuant to the various categories enumerated in Section 16142, together with supporting documentation as the secretary by regulation may require. The secretary, after reviewing the report and determining the eligibility of the local government to receive payment and the actual amount to which it is entitled, shall certify that amount to the Controller for payment, and the Controller shall make the payment on or before June 30, but no earlier than April 20, of each year.

The secretary may make supplemental reports to the Controller as he or she deems necessary throughout the year to give effect to new or additional information received from local governing bodies, correct errors, and dispose of contested or conditional situations. Upon receiving the reports, the Controller shall pay any amount certified therein, and may withhold and deduct any certified overpayment from the amount that would otherwise be paid to the local government in the next succeeding year, including any cancellation fees that have not been collected and transmitted pursuant to Section 51283.

SEC. 43. Section 19816.22 is added to the Government Code, to read:

19816.22. (a) It is the intent of the Legislature in providing funds for the Human Resources Modernization Project, within the Department of Personnel Administration's budget, to provide every state agency with the tools necessary to recruit and retain its personnel. The Human Resources Modernization Project integrates the competencies, skills, and abilities of each employee across all human resource programs. State agencies will use the services developed by the Human Resources Modernization Project to recruit, assess, select, and develop their personnel, as well as to plan for the future, with performance management and succession applications.

(b) Authority is hereby granted, to the extent otherwise permitted by law, to the Department of Personnel Administration to assess special funds, bond funds, and nongovernmental cost funds in sufficient amounts to support the cost of the Human Resources Modernization Project described in subdivision (a). The Director of Finance shall determine the amount of the total assessment for each fund periodically. Upon order of the Director of the Department of Finance, the moneys authorized pursuant to this act shall be transferred by the Controller, as needed, from each fund for a total amount not to exceed the amounts authorized in the annual Budget Act.

SEC. 44. Section 22877 of the Government Code is amended to read:

22877. (a) As used in this section, the following definitions shall apply:

(1) "Coinsurance" means the provision of a health benefit plan design that requires the health benefit plan and state employee or annuitant to share the cost of hospital or medical expenses at a specified ratio.

(2) "Deductible" means the annual amount of out-of-pocket medical expenses that a state employee or annuitant must pay before the health benefit plan begins paying for expenses.

(3) "Program" means the Rural Health Care Equity Program.

(4) "Rural area" means an area in which there is no board-approved health maintenance organization plan available for enrollment by state employees or annuitants residing in the area.

(b) (1) The Rural Health Care Equity Program is hereby established for the purpose of funding the subsidization and reimbursement of premium costs, deductibles, coinsurance, and other out-of-pocket health care expenses paid by employees living in rural areas that would otherwise be covered if the state employee was enrolled in a board-approved health maintenance organization plan. The program shall be administered by the Department of Personnel Administration or by a third-party administrator approved by the Department of Personnel Administration in a manner consistent with all applicable state and federal laws. The board shall determine the rural area for each subsequent fiscal year, at the same time that premiums for health maintenance organization plans are approved.

(2) Separate accounts shall be maintained within the program for all of the following:

(A) Employees, as defined in subdivision (c) of Section 3513.

(B) Excluded employees, as defined in subdivision (b) of Section 3527.

(c) Moneys in the program shall be allocated to the respective accounts as follows:

(1) The contribution provided by the state with respect to each employee, as defined in subdivision (c) of Section 3513, who lives in a rural area and is otherwise eligible, shall be an amount determined through the collective bargaining process.

(2) The contribution provided by the state with respect to each excluded employee, as defined in subdivision (b) of Section 3527,

who lives in a rural area and is otherwise eligible, shall be an amount equal to, but not to exceed, the amount contributed pursuant to paragraph (1).

(3) If an employee enters or leaves service with the state during a fiscal year, contributions for the employee shall be made on a pro rata basis. A similar computation shall be used for anyone entering or leaving the bargaining unit, including a person who enters the bargaining unit by promotion during a fiscal year.

(d) Each fund of the State Treasury, other than the General Fund, shall reimburse the General Fund for any sums allocated pursuant to subdivision (c) for employees whose compensation is paid from that fund. That reimbursement shall be accomplished using the following methodology:

(1) On or before December 1 of each year, the Department of Personnel Administration shall provide a list of active state employees who participated in the program during the previous fiscal year to each employing department.

(2) On or before January 15 of each year, each department that employed an active state employee identified by the Department of Personnel Administration as a participant in the program shall provide the Department of Personnel Administration with a list of the funds used to pay each employee's salary, along with the proportion of each employee's salary attributable to each fund.

(3) Using the information provided by the employing departments, the Department of Personnel Administration shall compile a list of program payments attributable to each fund. On or before February 15 of each year, the Department of Personnel Administration shall transmit this list to the Department of Finance.

(4) The Department of Finance shall certify to the Controller the amount to be transferred from the unencumbered balance of each fund to the General Fund.

(5) The Controller shall transfer to the General Fund from the unencumbered balance of each impacted fund the amount specified by the Department of Finance.

(6) To ensure the equitable allocation of costs, the Director of the Department of Personnel Administration or the Director of Finance may require an audit of departmental reports.

(e) Notwithstanding any other provision of law and subject to the availability of funds, moneys within the program shall be disbursed for the benefit of eligible employees. The disbursements shall subsidize the preferred provider plan premiums for the employee by an amount equal to the difference between the weighted average of board-approved health maintenance organization premiums and the lowest board-approved preferred provider plan premium available under this part, and reimburse the employee for a portion or all of his or her incurred deductible, coinsurance, and other out-of-pocket health-related expenses that would otherwise be covered if the employee and his or her family members were enrolled in a board-approved health maintenance organization plan. These subsidies and reimbursements shall be provided as determined by the Department of Personnel Administration, which may include, but is not limited to, a supplemental insurance plan, a medical reimbursement account, or a medical spending account plan.

(f) Subject to subdivision (h), moneys remaining in an account of the program at the end of any fiscal year shall remain in the account for use in subsequent fiscal years, until the account is terminated. Moneys remaining in a program account upon termination, after payment of all expenses and claims incurred prior to the date of termination, shall be deposited in the General Fund.

(g) The Legislature finds and declares that the program is established for the exclusive benefit of employees, annuitants, and family members.

(h) This section shall be operative only to the extent that funding is provided in the annual Budget Act or another statute.

(i) This section shall cease to be operative on January 1, 2012, or on an earlier date if the board makes a formal determination that health maintenance organization plans are no longer the most cost-effective health benefit plans offered by the board.

SEC. 45. Section 22883 of the Government Code is amended to read:

22883. (a) Each fund in the State Treasury, other than the General Fund and the Central Service Cost Recovery Fund, shall be charged a fair share of the employer contribution for annuitants in accordance with Article 2 (commencing with Section 11270) of Chapter 3 of Part 1 of Division 3.

(b) From each fund in the State Treasury, other than the General Fund and the Central Service Cost Recovery Fund, there is hereby appropriated monthly the employer contribution required under

Sections 22870, 22871, and 22885 for all employees whose compensation is paid from that fund.

SEC. 46. Section 30061 of the Government Code is amended to read:

30061. (a) There shall be established in each county treasury a Supplemental Law Enforcement Services Fund (SLESF), to receive all amounts allocated to a county for purposes of implementing this chapter.

(b) In any fiscal year for which a county receives moneys to be expended for the implementation of this chapter, the county auditor shall allocate the moneys in the county's SLESF, including any interest or other return earned on the investment of those moneys, within 30 days of the deposit of those moneys into the fund, and shall allocate those moneys in accordance with the requirements set forth in this subdivision. However, the auditor shall not transfer those moneys to a recipient agency until the Supplemental Law Enforcement Oversight Committee certifies receipt of an approved expenditure plan from the governing board of that agency. The moneys shall be allocated as follows:

(1) Five and fifteen-hundredths percent to the county sheriff for county jail construction and operation. In the case of Madera, Napa, and Santa Clara Counties, this allocation shall be made to the county director or chief of corrections.

(2) Five and fifteen-hundredths percent to the district attorney for criminal prosecution.

(3) Thirty-nine and seven-tenths percent to the county and the cities within the county, and, in the case of San Mateo, Kern, Siskiyou, and Contra Costa Counties, also to the Broadmoor Police Protection District, the Bear Valley Community Services District, the Stallion Springs Community Services District, the Lake Shastina Community Services District, and the Kensington Police Protection and Community Services District, in accordance with the relative population of the cities within the county and the unincorporated area of the county, and the Broadmoor Police Protection District in the County of San Mateo, the Bear Valley Community Services District and the Stallion Springs Community Services District in Kern County, the Lake Shastina Community Services District in Siskiyou County, and the Kensington Police Protection and Community Services District in Contra Costa County, as specified in the most recent January estimate by the

population research unit of the Department of Finance, and as adjusted to provide a grant of at least one hundred thousand dollars ($100,000) to each law enforcement jurisdiction. For a newly incorporated city whose population estimate is not published by the Department of Finance, but that was incorporated prior to July 1 of the fiscal year in which an allocation from the SLESF is to be made, the city manager, or an appointee of the legislative body, if a city manager is not available, and the county administrative or executive officer shall prepare a joint notification to the Department of Finance and the county auditor with a population estimate reduction of the unincorporated area of the county equal to the population of the newly incorporated city by July 15, or within 15 days after the Budget Act is enacted, of the fiscal year in which an allocation from the SLESF is to be made. No person residing within the Broadmoor Police Protection District, the Bear Valley Community Services District, the Stallion Springs Community Services District, the Lake Shastina Community Services District, or the Kensington Police Protection and Community Services District shall also be counted as residing within the unincorporated area of the County of San Mateo, Kern, Siskiyou, or Contra Costa, or within any city located within those counties. The county auditor shall allocate a grant of at least one hundred thousand dollars ($100,000) to each law enforcement jurisdiction. Moneys allocated to the county pursuant to this subdivision shall be retained in the county SLESF, and moneys allocated to a city pursuant to this subdivision shall be deposited in an SLESF established in the city treasury.

(4) Fifty percent to the county or city and county to implement a comprehensive multiagency juvenile justice plan as provided in this paragraph and to the Board of Corrections for administrative purposes. Funding for the Board of Corrections, as determined by the Department of Finance, shall not exceed two hundred seventy-five thousand dollars ($275,000). For the 2003–04 fiscal year, of the two hundred seventy-five thousand dollars ($275,000), up to one hundred seventy-six thousand dollars ($176,000) may be used for juvenile facility inspections. The juvenile justice plan shall be developed by the local juvenile justice coordinating council in each county and city and county with the membership described in Section 749.22 of the Welfare and Institutions Code. If a plan has been previously approved by the Board of Corrections, the

plan shall be reviewed and modified annually by the council. The plan or modified plan shall be approved by the county board of supervisors, and in the case of a city and county, the plan shall also be approved by the mayor. The plan or modified plan shall be submitted to the Board of Corrections by May 1, 2002, and annually thereafter.

(A) Juvenile justice plans shall include, but not be limited to, all of the following components:

(i) An assessment of existing law enforcement, probation, education, mental health, health, social services, drug and alcohol, and youth services resources that specifically target at-risk juveniles, juvenile offenders, and their families.

(ii) An identification and prioritization of the neighborhoods, schools, and other areas in the community that face a significant public safety risk from juvenile crime, such as gang activity, daylight burglary, late-night robbery, vandalism, truancy, controlled substances sales, firearm-related violence, and juvenile substance abuse and alcohol use.

(iii) A local juvenile justice action strategy that provides for a continuum of responses to juvenile crime and delinquency and demonstrates a collaborative and integrated approach for implementing a system of swift, certain, and graduated responses for at-risk youth and juvenile offenders.

(iv) Programs identified in clause (iii) that are proposed to be funded pursuant to this subparagraph, including the projected amount of funding for each program.

(B) Programs proposed to be funded shall satisfy all of the following requirements:

(i) Be based on programs and approaches that have been demonstrated to be effective in reducing delinquency and addressing juvenile crime for any elements of response to juvenile crime and delinquency, including prevention, intervention, suppression, and incapacitation.

(ii) Collaborate and integrate services of all the resources set forth in clause (i) of subparagraph (A), to the extent appropriate.

(iii) Employ information sharing systems to ensure that county actions are fully coordinated, and designed to provide data for measuring the success of juvenile justice programs and strategies.

(iv) Adopt goals related to the outcome measures that shall be used to determine the effectiveness of the local juvenile justice action strategy.

(C) The plan shall also identify the specific objectives of the programs proposed for funding and specified outcome measures to determine the effectiveness of the programs and contain an accounting for all program participants, including those who do not complete the programs. Outcome measures of the programs proposed to be funded shall include, but not be limited to, all of the following:

(i) The rate of juvenile arrests per 100,000 population.

(ii) The rate of successful completion of probation.

(iii) The rate of successful completion of restitution and court-ordered community service responsibilities.

(iv) Arrest, incarceration, and probation violation rates of program participants.

(v) Quantification of the annual per capita costs of the program.

(D) The Board of Corrections shall review plans or modified plans submitted pursuant to this paragraph within 30 days upon receipt of submitted or resubmitted plans or modified plans. The board shall approve only those plans or modified plans that fulfill the requirements of this paragraph, and shall advise a submitting county or city and county immediately upon the approval of its plan or modified plan. The board shall offer, and provide, if requested, technical assistance to any county or city and county that submits a plan or modified plan not in compliance with the requirements of this paragraph. The SLESF shall only allocate funding pursuant to this paragraph upon notification from the board that a plan or modified plan has been approved.

(E) To assess the effectiveness of programs funded pursuant to this paragraph using the program outcome criteria specified in subparagraph (C), the following periodic reports shall be submitted:

(i) Each county or city and county shall report, beginning October 15, 2002, and annually each October 15 thereafter, to the county board of supervisors and the Board of Corrections, in a format specified by the Board of Corrections, on the programs funded pursuant to this chapter and program outcomes as specified in subparagraph (C).

(ii) The Board of Corrections shall compile the local reports and, by March 15, 2003, and annually thereafter, make a report to the Governor and the Legislature on program expenditures within each county and city and county from the appropriation for the purposes of this paragraph, on the outcomes as specified in subparagraph (C) of the programs funded pursuant to this paragraph and the statewide effectiveness of the comprehensive multiagency juvenile justice plans.

(c) Subject to subdivision (d), for each fiscal year in which the county, each city, the Broadmoor Police Protection District, the Bear Valley Community Services District, the Stallion Springs Community Services District, the Lake Shastina Community Services District, and the Kensington Police Protection and Community Services District receive moneys pursuant to paragraph (3) of subdivision (b), the county, each city, and each district specified in this subdivision shall appropriate those moneys in accordance with the following procedures:

(1) In the case of the county, the county board of supervisors shall appropriate existing and anticipated moneys exclusively to provide frontline law enforcement services, other than those services specified in paragraphs (1) and (2) of subdivision (b), in the unincorporated areas of the county, in response to written requests submitted to the board by the county sheriff and the district attorney. Any request submitted pursuant to this paragraph shall specify the frontline law enforcement needs of the requesting entity, and those personnel, equipment, and programs that are necessary to meet those needs. The board shall, at a public hearing held at a time determined by the board in each year that the Legislature appropriates funds for purposes of this chapter, or within 30 days after a request by a recipient agency for a hearing if the funds have been received by the county from the state prior to that request, consider and determine each submitted request within 60 days of receipt, pursuant to the decision of a majority of a quorum present. The board shall consider these written requests separate and apart from the process applicable to proposed allocations of the county general fund.

(2) In the case of a city, the city council shall appropriate existing and anticipated moneys exclusively to fund frontline municipal police services, in accordance with written requests submitted by the chief of police of that city or the chief administrator of the law enforcement agency that provides police services for that city. These written requests shall be acted upon

by the city council in the same manner as specified in paragraph (1) for county appropriations.

(3) In the case of the Broadmoor Police Protection District within the County of San Mateo, the Bear Valley Community Services District or the Stallion Springs Community Services District within Kern County, the Lake Shastina Community Services District within Siskiyou County, or the Kensington Police Protection and Community Services District within Contra Costa County, the legislative body of that special district shall appropriate existing and anticipated moneys exclusively to fund frontline municipal police services, in accordance with written requests submitted by the chief administrator of the law enforcement agency that provides police services for that special district. These written requests shall be acted upon by the legislative body in the same manner specified in paragraph (1) for county appropriations.

(d) For each fiscal year in which the county, a city, or the Broadmoor Police Protection District within the County of San Mateo, the Bear Valley Community Services District or the Stallion Springs Community Services District within Kern County, the Lake Shastina Community Services District within Siskiyou County, or the Kensington Police Protection and Community Services District within Contra Costa County receives any moneys pursuant to this chapter, in no event shall the governing body of any of those recipient agencies subsequently alter any previous, valid appropriation by that body, for that same fiscal year, of moneys allocated to the county or city pursuant to paragraph (3) of subdivision (b).

(e) The Controller shall allocate funds, upon their appropriation by the Legislature in the annual Budget Act, to local jurisdictions for public safety in accordance with this section as calculated by the Director of Finance. The Controller shall allocate these funds in four equal installments, to be paid in September, December, March, and June of each fiscal year.

(f) Funds received pursuant to subdivision (b) shall be expended or encumbered in accordance with this chapter no later than June 30 of the following fiscal year. A local agency that has not met this requirement shall remit unspent SLESF moneys to the Controller for deposit into the General Fund.

(g) If a county, a city, a city and county, or a qualifying special district does not comply with the requirements of this chapter to receive an SLESF allocation, the Controller shall revert those funds to the General Fund.

SEC. 47. Section 63035 of the Government Code is amended to read:

63035. The bank shall, not later than November 1 of each year, submit to the Governor and the Joint Legislative Budget Committee a report of its activities pursuant to this division for the preceding fiscal year. The report shall include all of the following:

(a) (1) A listing of applications accepted, including a description of the expected employment impact of each project.

(2) A separate summary of applications for the Infrastructure State Revolving Fund Program, including a summary of the number of preliminary applications that did not receive funding and the reason the applicant did not qualify.

(b) A specification of bonds sold and interest rates thereon.

(c) The amount of other public and private funds leveraged by the assistance provided.

(d) A report of revenues and expenditures for the preceding fiscal year, including all of the bank's costs. The information provided pursuant to this subdivision shall include, but need not be limited to, both of the following:

(1) The amount and source of total bank revenues. Revenues shall be shown by main categories of revenues, including interest earnings, fees collected, and bond proceeds, for each bank program.

(2) The amount and type of total bank expenditures. Expenditures shall be shown by major categories of expenditures, including loans provided, debt service payments, and program support costs, for each bank program.

(e) A projection of the bank's needs and requirements for the coming year.

(f) Recommendations for changes in state and federal law necessary to meet the objectives of this division.

SEC. 48. Section 76104.6 of the Government Code is amended to read:

76104.6. (a) (1) Except as otherwise provided in this section, for the purpose of implementing the DNA Fingerprint, Unsolved Crime and Innocence Protection Act, there shall be levied an additional penalty of one dollar for every ten dollars ($10), or part of ten dollars ($10), in each county upon every fine, penalty, or forfeiture imposed and collected by the courts for all criminal offenses, including all offenses involving a violation of the Vehicle Code or any local ordinance adopted pursuant to the Vehicle Code.

(2) The penalty imposed by this section shall be collected together with and in the same manner as the amounts established by Section 1464 of the Penal Code. These moneys shall be taken from fines and forfeitures deposited with the county treasurer prior to any division pursuant to Section 1463 of the Penal Code. The board of supervisors shall establish in the county treasury a DNA Identification Fund into which shall be deposited the collected moneys pursuant to this section. The moneys of the fund shall be allocated pursuant to subdivision (b).

(3) This additional penalty does not apply to the following:

(A) Any restitution fine.

(B) Any penalty authorized by Section 1464 of the Penal Code or this chapter.

(C) Any parking offense subject to Article 3 (commencing with Section 40200) of Chapter 1 of Division 17 of the Vehicle Code.

(D) The state surcharge authorized by Section 1465.7 of the Penal Code.

(b) (1) The fund moneys described in subdivision (a), together with any interest earned thereon, shall be held by the county treasurer separate from any funds subject to transfer or division pursuant to Section 1463 of the Penal Code. Deposits to the fund may continue through and including the 20th year after the initial calendar year in which the surcharge is collected, or longer if and as necessary to make payments upon any lease or leaseback arrangement utilized to finance any of the projects specified herein.

(2) On the last day of each calendar quarter of the year specified in this subdivision, the county treasurer shall transfer fund moneys in the county's DNA Identification Fund to the state Controller for credit to the state's DNA Identification Fund, which is hereby established in the State Treasury, as follows:

(A) In the first two calendar years following the effective date of this section, 70 percent of the amounts collected, including interest earned thereon;

(B) In the third calendar year following the effective date of this section, 50 percent of the amounts collected, including interest earned thereon;

(C) In the fourth calendar year following the effective date of this section and in each calendar year thereafter, 25 percent of the amounts collected, including interest earned thereon.

(3) Funds remaining in the county's DNA Identification Fund shall be used only to reimburse local sheriff or other law enforcement agencies to collect DNA specimens, samples, and print impressions pursuant to this chapter; for expenditures and administrative costs made or incurred to comply with the requirements of paragraph (5) of subdivision (b) of Section 298 of the Penal Code including the procurement of equipment and software integral to confirming that a person qualifies for entry into the Department of Justice DNA Database and Data Bank Program; and to local sheriff, police, district attorney, and regional state crime laboratories for expenditures and administrative costs made or incurred in connection with the processing, analysis, tracking, and storage of DNA crime scene samples from cases in which DNA evidence would be useful in identifying or prosecuting suspects, including the procurement of equipment and software for the processing, analysis, tracking, and storage of DNA crime scene samples from unsolved cases.

(4) The state's DNA Identification Fund shall be administered by the Department of Justice. Funds in the state's DNA Identification Fund, upon appropriation by the Legislature, shall be used by the Attorney General only to support DNA testing in the state and to offset the impacts of increased testing and shall be allocated as follows:

(A) Of the amount transferred pursuant to subparagraph (A) of paragraph (2) of subdivision (b), 90 percent to the Department of Justice DNA Laboratory, first, to comply with the requirements of Section 298.3 of the Penal Code and, second, for expenditures and administrative costs made or incurred in connection with the processing, analysis, tracking, and storage of DNA specimens and samples including the procurement of equipment and software for the processing, analysis, tracking, and storage of DNA samples and specimens obtained pursuant to the DNA and Forensic Identification Database and Databank Act, as amended, and 10 percent to the Department of Justice Information Bureau Criminal History Unit for expenditures and administrative costs that have been approved by the Chief of the Department of Justice Bureau of Forensic Services made or incurred to update equipment and software to facilitate compliance with the requirements of subdivision (e) of Section 299.5 of the Penal Code.

(B) Of the amount transferred pursuant to subparagraph (B) of paragraph (2) of subdivision (b), funds shall be allocated by the Department of Justice DNA Laboratory, first, to comply with the requirements of Section 298.3 of the Penal Code and, second, for expenditures and administrative costs made or incurred in connection with the processing, analysis, tracking, and storage of DNA specimens and samples including the procurement of equipment and software for the processing, analysis, tracking, and storage of DNA samples and specimens obtained pursuant to the DNA and Forensic Identification Database and Databank Act, as amended.

(C) Of the amount transferred pursuant to subparagraph (C) of paragraph (2) of subdivision (b), funds shall be allocated by the Department of Justice to the DNA Laboratory to comply with the requirements of Section 298.3 of the Penal Code and for expenditures and administrative costs made or incurred in connection with the processing, analysis, tracking, and storage of DNA specimens and samples including the procurement of equipment and software for the processing, analysis, tracking, and storage of DNA samples and specimens obtained pursuant to the DNA and Forensic Identification Database and Databank Act, as amended.

(c) On or before April 1 in the year following adoption of this section, and annually thereafter, the board of supervisors of each county shall submit a report to the Legislature and the Department of Justice. The report shall include the total amount of fines collected and allocated pursuant to this section, and the amounts expended by the county for each program authorized pursuant to paragraph (3) of subdivision (b) of this section. The Department of Justice shall make the reports publicly available on the department's Web site.

(d) All requirements imposed on the Department of Justice pursuant to the DNA Fingerprint, Unsolved Crime and Innocence Protection Act are contingent upon the availability of funding and are limited by revenue, on a fiscal year basis, received by the Department of Justice pursuant to this section and any additional appropriation approved by the Legislature for purposes related to implementing this measure.

(e) Upon approval of the DNA Fingerprint, Unsolved Crime and Innocence Protection Act, the Legislature shall loan the Department of Justice General Fund in the amount of $7,000,000 for purposes of implementing that act. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time the loan is made. Principal and interest on the loan shall be repaid in full no later than four years from the date the loan was made and shall be repaid from revenue generated pursuant to this section.

(f) Notwithstanding any other provision of law, the Controller may use the state's DNA Identification Fund, created pursuant to paragraph (2) of subdivision (b), for loans to the General Fund as provided in Sections 16310 and 16381. Any such loan shall be repaid from the General Fund with interest computed at 110 percent of the Pooled Money Investment Account rate, with the interest commencing to accrue on the date the loan is made from the fund. This subdivision does not authorize any transfer that will interfere with the carrying out of the object for which the state's DNA Identification Fund was created.

SEC. 49. Section 17928 is added to the Health and Safety Code, to read:

17928. (a) (1) The Department of Housing and Community Development shall, for building standards submitted to the California Building Standards Commission for adoption in the 2010 California Building Code or later, do all the following:

(A) Review relevant green building guidelines as deemed necessary by the department when preparing proposed building standards for submittal.

(B) Consider proposing as mandatory building standards those green building features determined by the department to be cost effective and feasible to promote greener construction.

(2) Nothing in this subdivision shall be construed to supplant or otherwise change the existing process for approval and adoption of building standards through the California Building Standards Commission.

(b) (1) The department shall also summarize in a report to the Legislature no later than September 1 of each year, both of the following:

(A) Green building features proposed as building standards during the prior fiscal year.

(B) Green building guidelines reviewed pursuant to subdivision (a) during the prior fiscal year.

(2) For those items required by this subdivision already included in other reports provided to the Legislature or generally available, the department may fulfill this requirement by citing where that information can be found.

SEC. 50. Section 33675 of the Health and Safety Code is amended to read:

33675. (a) The portion of taxes required to be allocated pursuant to subdivision (b) of Section 33670 shall be allocated and paid to the agency by the county auditor or officer responsible for the payment of taxes into the funds of the respective taxing entities pursuant to the procedure contained in this section.

(b) Not later than October 1 of each year, for each redevelopment project for which the redevelopment plan provides for the division of taxes pursuant to Section 33670, the agency shall file, with the county auditor or officer described in subdivision (a), a statement of indebtedness and a reconciliation statement certified by the chief financial officer of the agency.

(c) (1) For each redevelopment project for which a statement of indebtedness is required to be filed, the statement of indebtedness shall contain all of the following:

(A) For each loan, advance, or indebtedness incurred or entered into, all of the following information:

(i) The date the loan, advance, or indebtedness was incurred or entered into.

(ii) The principal amount, term, purpose, interest rate, and total interest of each loan, advance, or indebtedness.

(iii) The principal amount and interest due in the fiscal year in which the statement of indebtedness is filed for each loan, advance, or indebtedness.

(iv) The total amount of principal and interest remaining to be paid for each loan, advance, or indebtedness.

(B) The sum of the amounts determined under clause (iii) of subparagraph (A).

(C) The sum of the amounts determined under clause (iv) of subparagraph (A).

(D) The available revenues as of the end of the previous year, as determined pursuant to paragraph (10) of subdivision (d).

(2) The agency may estimate the amount of principal or interest, the interest rate, or term of any loan, advance, or indebtedness if the nature of the loan, advance, or indebtedness is such that the amount of principal or interest, the interest rate or term cannot be precisely determined. The agency may list on a statement of indebtedness any loan, advance, or indebtedness incurred or entered into on or before the date the statement is filed.

(d) For each redevelopment project for which a reconciliation statement is required to be filed, the reconciliation statement shall contain all of the following:

(1) A list of all loans, advances, and indebtedness listed on the previous year's statement of indebtedness.

(2) (A) A list of all loans, advances, and indebtedness, not listed on the previous year's statement of indebtedness, but incurred or entered into in the previous year and paid in whole or in part from revenue received by the agency pursuant to Section 33670. This listing may aggregate loans, advances, and indebtedness incurred or entered into in the previous year for a particular purpose (such as relocation expenses, administrative expenses, consultant expenses, or property management expenses) into a single item in the listing.

(B) For purposes of this section, any payment made pursuant to Section 33684 shall be considered as payment against existing passthrough payment indebtedness as listed on the agency's statement of indebtedness. If the most recent statement of indebtedness documents failed to include all or a part of the agency's obligation to the passthrough payments, those obligations shall be added to the next statement of indebtedness to be filed and shall include both current payments plus all future passthrough obligations.

(3) For each loan, advance, or indebtedness described in paragraph (1) or (2), all of the following information:

(A) The total amount of principal and interest remaining to be paid as of the later of the beginning of the previous year or the date the loan, advance, or indebtedness was incurred or entered into.

(B) Any increases or additions to the loan, advance, or indebtedness occurring during the previous year.

(C) The amount paid on the loan, advance, or indebtedness in the previous year from revenue received by the agency pursuant to Section 33670.

(D) The amount paid on the loan, advance, or indebtedness in the previous year from revenue other than revenue received by the agency pursuant to Section 33670.

(E) The total amount of principal and interest remaining to be paid as of the end of the previous fiscal year.

(4) The available revenues of the agency as of the beginning of the previous fiscal year.

(5) The amount of revenue received by the agency in the previous fiscal year pursuant to Section 33670.

(6) The amount of available revenue received by the agency in the previous fiscal year other than pursuant to Section 33670.

(7) The sum of the amounts specified in subparagraph (D) of paragraph (3), to the extent that the amounts are not included as available revenues pursuant to paragraph (6).

(8) The sum of the amounts specified in paragraphs (4), (5), (6), and (7).

(9) The sum of the amounts specified in subparagraphs (C) and (D) of paragraph (3).

(10) The amount determined by subtracting the amount determined under paragraph (9) from the amount determined under paragraph (8). The amount determined pursuant to this paragraph shall be the available revenues as of the end of the previous fiscal year.

(e) For the purposes of this section, available revenues shall include all cash or cash equivalents held by the agency that were received by the agency pursuant to Section 33670 and all cash or cash equivalents held by the agency that are irrevocably pledged or restricted to payment of a loan, advance, or indebtedness that the agency has listed on a statement of indebtedness. In no event shall available revenues include funds in the agency's Low and Moderate Income Housing Fund established pursuant to Section 33334.3. For the purposes of determining available revenues as of the end of the 1992–93 fiscal year, an agency shall conduct an examination or audit of its books and records for the 1990–91, 1991–92, and 1992–93 fiscal years to determine the available revenues as of the end of the 1992–93 fiscal year.

(f) For the purposes of this section, the amount an agency will deposit in its Low and Moderate Income Housing Fund established pursuant to Section 33334.3 shall constitute an indebtedness of the agency. For the purposes of this section, no loan, advance, or indebtedness that an agency intends to pay from its Low and Moderate Income Housing Fund established pursuant to Section 33334.3 shall be listed on a statement of indebtedness or reconciliation statement as a loan, advance, or indebtedness of the agency. For the purposes of this section, any statutorily authorized deficit in or borrowing from an agency's Low and Moderate Income Housing Fund established pursuant to Section 33334.3 shall constitute an indebtedness of the agency.

(g) The county auditor or officer shall, at the same time or times as the payment of taxes into the funds of the respective taxing entities of the county, allocate and pay the portion of taxes provided by subdivision (b) of Section 33670 to each agency. The amount allocated and paid shall not exceed the amount determined pursuant to subparagraph (C) of paragraph (1) of subdivision (c) minus the amount determined pursuant to subparagraph (D) of paragraph (1) of subdivision (c).

(h) (1) The statement of indebtedness constitutes prima facie evidence of the loans, advances, or indebtedness of the agency.

(2) (A) If the county auditor or other officer disputes the amount of loans, advances, or indebtedness as shown on the statement of indebtedness, the county auditor or other officer shall, within 30 days after receipt of the statement, give written notice to the agency thereof.

(B) The agency shall, within 30 days after receipt of notice pursuant to subparagraph (A), submit any further information it deems appropriate to substantiate the amount of any loans, advances, or indebtedness which has been disputed. If the county auditor or other officer still disputes the amount of loans, advances, or indebtedness, final written notice of that dispute shall be given to the agency, and the amount disputed may be withheld from allocation and payment to the agency as otherwise required by subdivision (g). In that event, the auditor or other officer shall bring an action in the superior court in declaratory relief to determine the matter not later than 90 days after the date of the final notice.

(3) In any court action brought pursuant to this section, the issue shall involve only the amount of loans, advances, or indebtedness, and not the validity of any contract or debt instrument or any expenditures pursuant thereto. Payments to a trustee under a bond resolution or indenture of any kind or payments to a public agency in connection with payments by that public agency pursuant to a lease or bond issue shall not be disputed in any action under this section. The matter shall be set for trial at the earliest possible date and shall take precedence over all other cases except older matters of the same character. Unless an action is brought within the time provided for herein, the auditor or other officer shall allocate and pay the amount shown on the statement of indebtedness as provided in subdivision (g).

(i) Nothing in this section shall be construed to permit a challenge to or attack on matters precluded from challenge or attack by reason of Sections 33500 and 33501. However, nothing in this section shall be construed to deny a remedy against the agency otherwise provided by law.

(j) The Controller shall prescribe a uniform form of statement of indebtedness and reconciliation statement. These forms shall be consistent with this section. In preparing these forms, the Controller shall obtain the input of county auditors, redevelopment agencies, and organizations of county auditors and redevelopment agencies.

(k) For the purposes of this section, a fiscal year shall be a year that begins on July 1 and ends the following June 30.

SEC. 51. Section 33680 of the Health and Safety Code is amended to read:

33680. (a) The Legislature finds and declares that the effectuation of the primary purposes of the Community Redevelopment Law, including job creation, attracting new private commercial investments, the physical and social improvement of residential neighborhoods, and the provision and maintenance of low- and moderate-income housing, is dependent upon the existence of an adequate and financially solvent school system which is capable of providing for the safety and education of students who live within both redevelopment project areas and housing assisted by redevelopment agencies. The attraction of new businesses to redevelopment project areas depends upon the existence of an adequately trained work force, which can only be accomplished if education at the primary and secondary schools is adequate and general education and job training at community colleges is available. The ability of communities to build residential development and attract residents in redevelopment project areas depends upon the existence of adequately maintained and operating schools serving the redevelopment project area. The development and maintenance of low- and moderate-income housing both within redevelopment project areas and throughout the community can only be successful if adequate schools exist to serve the residents of this housing.

(b) Redevelopment agencies have financially assisted schools which benefit and serve the project area by paying part or all of land and the construction of school facilities and other improvements pursuant to the authority in Section 33445. Redevelopment agencies have financially assisted schools to alleviate the financial burden or detriment caused by the establishment of redevelopment project areas pursuant to the authority in Sections 33401 and 33445.5. Funds also have been allocated to schools and community colleges pursuant to the authority in Section 33676.

(c) The Legislature further finds and declares that, because of the reduced funds available to the state to assist schools and community colleges which benefit and serve redevelopment project areas during the 1992–93, 1993–94, and 1994–95 fiscal years, it is necessary for redevelopment agencies to make additional payments to assist the programs and operations of these schools and colleges in order to ensure that the objectives stated in this section can be met. The Legislature further finds and declares that the payments to schools and community college districts pursuant to Section 33681 are of benefit to redevelopment project areas.

(d) The Legislature further finds and declares all of the following:

(1) Because of the reduced funds available to the state to assist schools that benefit and serve redevelopment project areas during the 2008–09 fiscal year, it is necessary for redevelopment agencies to make additional payments to assist the programs and operations of these schools to ensure that the objectives stated in this section can be met.

(2) The payments to schools pursuant to Section 33685 are of benefit to redevelopment project areas.

SEC. 52. Section 33684 is added to the Health and Safety Code, to read:

33684. (a) (1) This section shall apply to each redevelopment project area that, pursuant to a redevelopment plan that contains the provisions required by Section 33670, meets any of the following:

(A) Was adopted on or after January 1, 1994, including later amendments to these redevelopment plans.

(B) Was adopted prior to January 1, 1994, but amended after January 1, 1994, to include new territory. For plans amended after January 1, 1994, only the tax increments from territory added by the amendment shall be subject to this section.

(2) This section shall apply to passthrough payments, as required by Sections 33607.5 and 33607.7, for the 2003–04 to 2008–09, inclusive, fiscal years. For purposes of this section, a passthrough payment shall be considered the responsibility of an agency in the fiscal year the agency receives the tax increment revenue for which the passthrough payment is required.

(3) For purposes of this section, “local educational agency” is a school district, a community college district, or a county office of education.

(b) On or before October 1, 2008, each agency shall submit a report to the county auditor and to each affected taxing entity that describes each project area, including its location, purpose, date established, date or dates amended, and statutory and contractual passthrough requirements. The report shall specify, by year, for each project area all of the following:

(1) Gross tax increment received between July 1, 2003, and June 30, 2008, that is subject to a passthrough payment pursuant to Sections 33607.5 and 33607.7, and accumulated gross tax increments through June 30, 2003.

(2) Total passthrough payments to each taxing entity that the agency deferred pursuant to a subordination agreement approved by the taxing agency under subdivision (e) of Section 33607.5 and the dates these deferred payments will be made.

(3) Total passthrough payments to each taxing entity that the agency was responsible to make between July 1, 2003, and June 30, 2008, pursuant to Sections 33607.5 and 33607.7, excluding payments identified in paragraph (2).

(4) Total passthrough payments that the agency disbursed to each taxing entity between July 1, 2003, and June 30, 2008, pursuant to Sections 33607.5 and 33607.7.

(5) Total sums reported in paragraph (4) for each local educational agency that are considered to be property taxes under the provisions of paragraph (4) of subdivision (a) of Sections 33607.5 and 33607.7.

(6) Total outstanding payment obligations to each taxing entity as of June 30, 2008. This amount shall be calculated by subtracting the amounts reported in paragraph (4) from paragraph (3) and reporting any positive sum.

(7) Total outstanding overpayments to each taxing entity as of June 30, 2008. This amount shall be calculated by subtracting the amounts reported in paragraph (3) from paragraph (4) and reporting any positive sum.

(8) The dates on which the agency made payments identified in paragraph (6) or intends to make the payments identified in paragraph (6).

(2) A revised estimate of the agency's total outstanding passthrough payment obligation to each taxing agency pursuant to paragraph (6) of subdivision (b) and paragraph (6) of subdivision (c) and the dates on which the agency intends to make these payments.

(c) On or before October 1, 2009, each agency shall submit a report to the county auditor and to each affected taxing entity that describes each project area, including its location, purpose, date established, date or dates amended, and statutory and contractual passthrough requirements. The report shall specify, by year, for each project area all of the following:

(1) Gross tax increment received between July 1, 2008, and June 30, 2009, that is subject to a passthrough payment pursuant to Sections 33607.5 and 33607.7.

(2) Total passthrough payments to each taxing entity that the agency deferred pursuant to a subordination agreement approved by the taxing entity under subdivision (e) of Section 33607.5 and the dates these deferred payments will be made.

(3) Total passthrough payments to each taxing entity that the agency was responsible to make between July 1, 2008, and June 30, 2009, pursuant to Sections 33607.5 and 33607.7, excluding payments identified in paragraph (2).

(4) Total passthrough payments that the agency disbursed to each taxing entity between July 1, 2008, and June 30, 2009, pursuant to Sections 33607.5 and 33607.7.

(5) Total sums reported in paragraph (4) for each local educational agency that are considered to be property taxes under the provisions of paragraph (4) of subdivision (a) of Sections 33607.5 and 33607.7.

(6) Total outstanding payment obligations to each taxing entity as of June 30, 2009. This amount shall be calculated by subtracting the amounts reported in paragraph (4) from paragraph (3) and reporting any positive sum.

(7) Total outstanding overpayments to each taxing entity as of June 30, 2009. This amount shall be calculated by subtracting the amounts reported in paragraph (3) from paragraph (4) and reporting any positive sum.

(8) The dates on which the agency made payments identified in paragraph (6) or intends to make the payments identified in paragraph (6).

(d) If an agency reports pursuant to paragraph (6) of subdivision (b) or paragraph (6) of subdivision (c) that it has an outstanding passthrough payment obligation to any taxing entity, the agency shall submit annual updates to the county auditor on October 1 of each year until such time as the county auditor notifies the agency in writing that the agency's outstanding payment obligations have been fully satisfied. The report shall contain both of the following:

(1) A list of payments to each taxing agency and to the Educational Revenue Augmentation Fund pursuant to subdivision (j) that the agency disbursed after the agency's last update filed pursuant to this subdivision or, if no update has been filed, after the agency's submission of the reports required pursuant to subdivisions (b) and (c). The list of payments shall include only those payments that address obligations identified pursuant to paragraph (6) of subdivision (b) and paragraph (6) of subdivision (c). The update shall specify the date on which each payment was disbursed.

(2) A revised estimate of the agency's total outstanding passthrough payment obligation to each taxing agency pursuant to paragraph (6) of subdivision (b) and paragraph (6) of subdivision (c) and the dates on which the agency intends to make these payments.

(e) The county auditor shall review each agency's reports submitted pursuant to subdivisions (b) and (c) and any other relevant information to determine whether the county auditor concurs with the information included in the reports.

(1) If the county auditor concurs with the information included in a report, the county auditor shall issue a finding of concurrence within 45 days.

(2) If the county auditor does not concur with the information included in a report or considers the report to be incomplete, the county auditor shall return the report to the agency within 45 days with information identifying the elements of the report with which the county auditor does not concur or considers to be incomplete. The county auditor shall provide the agency at least 15 days to respond to concerns raised by the county auditor regarding the information contained in the report. An agency may revise a report that has not received a finding of concurrence and resubmit it to the county auditor.

(3) If an agency and county auditor do not agree regarding the passthrough requirements of Sections 33607.5 and 33607.7, an agency may submit a report pursuant to subdivisions (b) and (c) and a statement of dispute identifying the issue needing resolution.

(4) An agency may amend a report for which the county auditor has issued a finding of concurrence and resubmit the report pursuant to paragraphs (1), (2), and (3) if any of the following apply:

(A) The county auditor and agency agree that an issue identified in the agency's statement of dispute has been resolved and the agency proposes to modify the sections of the report to conform with the resolution of the statement of dispute.

(B) The county auditor and agency agree that the amount of gross tax increment or the amount of a passthrough payment to a taxing entity included in the report is not accurate.

(5) The Controller may revoke a finding of concurrence and direct the agency to resubmit a report to the county auditor pursuant to paragraphs (1), (2), and (3) if the Controller finds significant errors in a report.

(f) On or before December 15, 2008, and annually thereafter through 2014, the county auditor shall submit a report to the Controller that includes all of the following:

(1) The name of each redevelopment project area in the county for which an agency must submit a report pursuant to subdivision (b) or (c) and information as to whether the county auditor has issued a finding of concurrence regarding the report.

(2) A list of the agencies for which the county auditor has issued a finding of concurrence for all project areas identified in paragraph (1).

(3) A list of agencies for which the county auditor has not issued a finding of concurrence for all project areas identified in paragraph (1).

(4) Using information applicable to agencies listed in paragraph (2), the county auditor shall report all of the following:

(A) The total sums reported by each redevelopment agency related to each taxing entity pursuant to paragraphs (1) to (7), inclusive, of subdivision (b) and, on or after December 15, 2009, pursuant to paragraphs (1) to (7), inclusive, of subdivision (c).

(B) The names of agencies that have outstanding passthrough payment obligations to a local educational agency that exceed the amount of outstanding passthrough payments to the local educational agency.

(C) Summary information regarding agencies' stated plans to pay the outstanding amounts identified in paragraph (6) of subdivision (b) and paragraph (6) of subdivision (c) and the actual amounts that have been deposited into the county Educational Revenue Augmentation Fund pursuant to subdivision (j).

(D) All unresolved statements of dispute filed by agencies pursuant to paragraph (3) of subdivision (e) and the county auditor's analyses supporting the county auditor's conclusions regarding the issues under dispute.

(g) (1) On or before February 1, 2009, and annually thereafter through 2015, the Controller shall submit a report to the Legislative Analyst's Office and the Department of Finance and provide a copy to the Board of Governors of the California Community Colleges. The report shall provide information as follows:

(A) Identify agencies for which the county auditor has issued a finding of concurrence for all reports required under subdivisions (b) and (c).

(B) Identify agencies for which the county auditor has not issued a finding of concurrence for all reports required pursuant to subdivision (b) and all reports required pursuant to subdivision (c) or for which a finding of concurrence has been withdrawn by the Controller.

(C) Summarize the information reported in paragraph (4) of subdivision (f). This summary shall identify, by local educational agency and by year, the total amount of passthrough payments that each local educational agency received, was entitled to receive, subordinated, or that has not yet been paid, and the portion of these amounts that are considered to be property taxes for purposes of Sections 2558, 42238, and 84751 of the Education Code. The report shall identify, by agency, the amounts that have been deposited to the county Educational Revenue Augmentation Fund pursuant to subdivision (j).

(D) Summarize the statements of dispute. The Controller shall specify the status of these disputes, including whether the Controller or other state entity has provided instructions as to how these disputes should be resolved.

(E) Identify agencies that have outstanding passthrough payment liabilities to a local educational agency that exceed the amount of outstanding passthrough overpayments to the local educational agency.

(2) On or before February 1, 2009, and annually thereafter through 2015, the Controller shall submit a report to the State Department of Education and the Board of Governors of the California Community Colleges. The report shall identify, by local educational agency and by year of receipt, the total amount of passthrough payments that the local educational agency received from redevelopment agencies listed in subparagraph (A) of paragraph (1).

(h) (1) On or before April 1, 2009, and annually thereafter until April 1, 2015, the State Department of Education shall do all of the following:

(A) Calculate for each school district for the 2003–04 to 2007–08, inclusive, fiscal years the difference between 43.3 percent of the amount reported pursuant to paragraph (2) of subdivision (g) and the amount subtracted from each school district's apportionment pursuant to paragraph (6) of subdivision (h) of Section 42238 of the Education Code.

(B) Calculate for each county superintendent of schools for the 2003–04 to 2007–08, inclusive, fiscal years the difference between 19 percent of the amount reported pursuant to paragraph (2) of subdivision (g) and the amount received pursuant to Sections 33607.5 and 33607.7 and subtracted from each county superintendent of schools apportionment pursuant to subdivision (c) of Section 2558 of the Education Code.

(C) Notify each school district and county superintendent of schools for which any amount calculated in subparagraph (A) or (B) is nonzero as to the reported change and its resulting impact on apportionments. After April 1, 2009, however, the department shall not notify a school district or county superintendent of schools if the amount calculated in subparagraph (A) or (B) is the same amount as the department calculated in the preceding year.

(2) On or before April 1, 2010, and annually thereafter until April 1, 2015, the State Department of Education shall do all of the following:

(A) Calculate for each school district for the 2008–09 fiscal year the difference between 43.3 percent of the amount reported pursuant to paragraph (2) of subdivision (g) and the amount subtracted from each school district's apportionment pursuant to paragraph (6) of subdivision (h) of Section 42238 of the Education Code.

(B) Calculate for each county superintendent of schools for the 2008–09 fiscal year the difference between 19 percent of the amount reported pursuant to paragraph (2) of subdivision (g) and the amount received pursuant to Sections 33607.5 and 33607.7 and subtracted from each county superintendent of schools apportionment pursuant to subdivision (c) of Section 2558 of the Education Code.

(C) Notify each school district and county superintendent of schools for which any amount calculated in subparagraph (A) or (B) is nonzero as to the reported change and its resulting impact on revenue limit apportionments. After April 1, 2010, however, the department shall not notify a school district or county superintendent of schools if the amount calculated in subparagraph (A) or (B) is the same amount as the department calculated in the preceding year.

(3) For the purposes of Article 3 (commencing with Section 41330) of Chapter 3 of Part 24 of Division 3 of the Education Code, the amounts reported to each school district and county superintendent of schools in the notification required pursuant to subparagraph (C) of paragraph (1) and subparagraph (C) of

paragraph (2) shall be deemed to be apportionment significant audit exceptions and the date of receipt of that notification shall be deemed to be the date of receipt of the final audit report that includes those audit exceptions.

(4) On or before March 1, 2009, and annually thereafter until March 1, 2015, the Board of Governors of the California Community Colleges shall do all of the following:

(A) Calculate for each community college district for the 2003–04 to 2007–08, inclusive, fiscal years the difference between 47.5 percent of the amount reported pursuant to paragraph (2) of subdivision (g) and the amount subtracted from each district's total revenue owed pursuant to subdivision (d) of Section 84751 of the Education Code.

(B) Notify each community college district for which any amount calculated in subparagraph (A) is nonzero as to the reported change and its resulting impact on apportionments. After March 1, 2009, however, the board shall not notify a school district or county superintendent of schools if the amount calculated in subparagraph (A) is the same amount as the board calculated in the preceding year.

(5) On or before March 1, 2010, and annually thereafter until March 1, 2015, the Board of Governors of the California Community Colleges shall do all of the following:

(A) Calculate for each community college district for the 2003–04 to 2007–08, inclusive, fiscal years the difference between 47.5 percent of the amount reported pursuant to paragraph (2) of subdivision (g) and the amount subtracted from each district's total revenue owed pursuant to subdivision (d) of Section 84751 of the Education Code.

(B) Notify each community college district for which any amount calculated in subparagraph (A) is nonzero as to the reported change and its resulting impact on revenue apportionments. After March 1, 2010, however, the board shall not notify a community college district if the amount calculated in subparagraph (A) is the same amount as the board calculated in the preceding year.

(6) A community college district may submit documentation to the Board of Governors of the California Community Colleges showing that all or part of the amount reported to the district pursuant to subparagraph (B) of paragraph (4) and subparagraph (B) of paragraph (5) was previously reported to the California

Community Colleges for the purpose of the revenue level calculations made pursuant to Section 84751 of the Education Code. Upon acceptance of the documentation, the board of governors shall adjust the amounts calculated in paragraphs (4) and (5) accordingly.

(7) The Board of Governors of the California Community Colleges shall make corrections in any amounts allocated in any fiscal year to each community college district for which any amount calculated in paragraphs (4) and (5) is nonzero so as to account for the changes reported pursuant to paragraph (4) of subdivision (b) and paragraph (4) of subdivision (c). The board may make the corrections over a period of time, not to exceed five years.

(i) (1) After February 1, 2009, for an agency listed on the most recent Controller's report pursuant to subparagraph (B) or (E) of paragraph (1) of subdivision (g), all of the following shall apply:

(A) The agency shall be prohibited from adding new project areas or expanding existing project areas. For purposes of this paragraph, "project area" has the same meaning as in Sections 33320.1 to 33320.3, inclusive, and Section 33492.3.

(B) The agency shall be prohibited from issuing new bonds, notes, interim certificates, debentures, or other obligations, whether funded, refunded, assumed, or otherwise, pursuant to Article 5 (commencing with Section 33640).

(C) The agency shall be prohibited from encumbering any funds or expending any moneys derived from any source, except that the agency may encumber funds and expend funds to pay, if any, all of the following:

(i) Bonds, notes, interim certificates, debentures, or other obligations issued by an agency before the imposition of the prohibition in subparagraph (B) whether funded, refunded, assumed, or otherwise, pursuant to Article 5 (commencing with Section 33460) of this chapter.

(ii) Loans or moneys advanced to the agency, including, but not limited to, loans from federal, state, local agencies, or a private entity.

(iii) Contractual obligations that, if breached, could subject the agency to damages or other liabilities or remedies.

(iv) Obligations incurred pursuant to Section 33445.

(v) Indebtedness incurred pursuant to Section 33334.2 or 33334.6.

(vi) Obligations incurred pursuant to Section 33401.

(vii) An amount, to be expended for the monthly operation and administration of the agency, that may not exceed 75 percent of the average monthly amount spent for those purposes in the fiscal year preceding the fiscal year in which the agency was first listed on the Controller's report pursuant to subparagraph (B) or (E) of paragraph (1) of subdivision (g).

(2) After February 1, 2009, an agency identified in subparagraph (B) or (E) of paragraph (1) of subdivision (g) shall incur interest charges on any passthrough payment that is made to a local educational agency more than 60 days after the close of the fiscal year in which the passthrough payment was required. Interest shall be charged at a rate equal to 150 percent of the current Pooled Money Investment Account earnings annual yield rate and shall be charged for the period beginning 60 days after the close of the fiscal year in which the passthrough payment was due through the date that the payment is made.

(3) The Controller, with the concurrence of the Director of Finance, may waive the provisions of paragraphs (1) and (2) for a period of up to 12 months if the Controller determines all of the following:

(A) The county auditor has identified the agency in its most recent report issued pursuant to paragraph (2) of subdivision (f) as an agency for which the auditor has issued a finding of concurrence for all reports required pursuant to subdivisions (b) and (c).

(B) The agency has filed a statement of dispute on an issue or issues that, in the opinion of the Controller, are likely to be resolved in a manner consistent with the agency's position.

(C) The agency has made passthrough payments to local educational agencies and the county Educational Revenue Augmentation Fund, or has had funds previously withheld by the auditor, in amounts that would satisfy the agency's passthrough payment requirements to local educational agencies if the issue or issues addressed in the statement of dispute were resolved in a manner consistent with the agency's position.

(D) The agency would sustain a fiscal hardship if it made passthrough payments to local educational agencies and the county Educational Revenue Augmentation Fund in the amounts estimated by the county auditor.

(j) Notwithstanding any other provision of law, if an agency report submitted pursuant to subdivision (b) or (c) indicates outstanding payment obligations to a local educational agency, the agency shall make these outstanding payments as follows:

(1) Of the outstanding payments owed to school districts, including any interest payments pursuant to paragraph (2) of subdivision (i), 43.3 percent shall be deposited in the county Educational Revenue Augmentation Fund and the remainder shall be allocated to the school district or districts.

(2) Of the outstanding payments owed to community college districts, including any interest payments pursuant to paragraph (2) of subdivision (i), 47.5 percent shall be deposited in the county Educational Revenue Augmentation Fund and the remainder shall be allocated to the community college district or districts.

(3) Of the outstanding payments owed to county offices of education, including any interest payments pursuant to paragraph (2) of subdivision (i), 19 percent shall be deposited in the county Educational Revenue Augmentation Fund and the remainder shall be allocated to the county office of education.

(k) (1) This section shall not be construed to increase any allocations of excess, additional, or remaining funds that would otherwise have been allocated to cities, counties, cities and counties, or special districts pursuant to clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.2 of, clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.3 of, or Article 4 (commencing with Section 98) of Chapter 6 of Part 0.5 of Division 1 of, the Revenue and Taxation Code had this section not been enacted.

(2) Notwithstanding any other provision of law, no funds deposited in the county Educational Revenue Augmentation Fund pursuant to subdivision (j) shall be distributed to a community college district.

(*l*) A county may require an agency to reimburse the county for any expenses incurred by the county in performing the services required by this section.

SEC. 53. Section 33685 is added to the Health and Safety Code, to read:

33685. (a) (1) For the 2008–09 fiscal year a redevelopment agency shall remit, as determined by the Director of Finance, prior to May 10, an amount equal to the amount determined for that agency pursuant to subparagraph (K) of paragraph (2) to the county auditor for deposit in the county Educational Revenue Augmentation Fund, created pursuant to Article 3 (commencing with Section 97) of Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code. Notwithstanding any other provision of law, in the 2008–09 fiscal year, no funds deposited in the county Educational Revenue Augmentation Fund pursuant to this section shall be distributed to a community college district.

(2) On or before November 15, 2008, the Director of Finance shall do all of the following:

(A) (i) Determine the value of five percent of the statewide total property tax revenue apportioned to agencies pursuant to Section 33670.

(ii) If the value determined pursuant to clause (i) exceeds three-hundred fifty million dollars ($350,000,000), the value determined in clause (i) shall be allocated to each agency as provided in paragraphs (B) to (J), inclusive.

(iii) If the value determined pursuant to clause (i) does not exceed three-hundred fifty million dollars ($350,000,000), three-hundred fifty million dollars ($350,000,000) shall be allocated to each agency as provided in subparagraphs (B) to (J), inclusive.

(B) Determine the net tax increment apportioned to each agency pursuant to Section 33670, excluding any amounts apportioned to affected taxing entities pursuant to Section 33401, 33607.5, or 33676.

(C) Determine the net tax increment apportioned to all agencies pursuant to Section 33670, excluding any amounts allocated to affected taxing entities pursuant to Section 33401, 33607.5, or 33676.

(D) Determine a percentage factor by dividing the amount determined pursuant to subparagraph (A) by two and then by the amount determined pursuant to subparagraph (C).

(E) Determine an amount for each agency by multiplying the amount determined pursuant to subparagraph (B) by the percentage factor determined pursuant to subparagraph (D).

(F) Determine the total amount of property tax revenue apportioned to each agency pursuant to Section 33670, including any amounts allocated to affected taxing entities pursuant to Section 33401, 33607.5, or 33676.

(G) Determine the total amount of property tax revenue apportioned to all agencies pursuant to Section 33670, including any amounts allocated to affected taxing entities pursuant to Section 33401, 33607.5, or 33676.

(H) Determine a percentage factor by dividing the amount determined pursuant to subparagraph (A) by two and then by the amount determined pursuant to subparagraph (G).

(I) Determine an amount for each agency by multiplying the amount determined pursuant to subparagraph (F) by the percentage factor determined pursuant to subparagraph (H).

(J) Add the amount determined pursuant to subparagraph (E) to the amount determined pursuant to subparagraph (I).

(K) Notify each agency, each legislative body, and each county auditor of each agency’s amount. The county auditor shall deposit these amounts in the county Educational Revenue Augmentation Fund pursuant to paragraph (1).

(3) The obligation of any agency to make the payments required pursuant to this subdivision shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal, or interest on any bonds of the agency including, without limitation, bonds secured by a pledge of taxes allocated to the agency pursuant to Section 33670. Agencies shall factor in the fiscal obligations created by this subdivision when issuing bonded indebtedness.

(b) (1) Notwithstanding any other provision of law, to make the full allocation required by this section, an agency may borrow up to 50 percent of the amount required to be allocated to the Low and Moderate Income Housing Fund, pursuant to Sections 33334.2, 33334.3, and 33334.6, unless, in a given fiscal year, executed contracts exist that would be impaired if the agency reduced the amount allocated to the Low and Moderate Income Housing Fund pursuant to the authority of this subdivision.

(2) As a condition of borrowing pursuant to this subdivision, an agency shall make a finding that there are insufficient other moneys to meet the requirements of subdivision (a). Funds borrowed pursuant to this subdivision shall be repaid in full within 10 years following the date on which moneys are remitted to the county auditor for deposit in the county Educational Revenue Augmentation Fund pursuant to subdivision (a).

(c) To make the allocation required by this section, an agency may use any funds that are legally available and not legally obligated for other uses, including, but not limited to, reserve funds, proceeds of land sales, proceeds of bonds or other indebtedness, lease revenues, interest, and other earned income. No moneys held in a low- and moderate-income fund as of July 1 of the applicable fiscal year may be used for this purpose.

(d) The legislative body shall by March 1 of each year report to the county auditor as to how the agency intends to fund the allocation required by this section, or that the legislative body intends to remit the amount in lieu of the agency pursuant to Section 33687.

(e) The allocation obligations imposed by this section, including amounts owed, if any, created under this section, are hereby declared to be an indebtedness of the redevelopment project to which they relate, payable from taxes allocated to the agency pursuant to Section 33670, and shall constitute an indebtedness of the agency with respect to the redevelopment project until paid in full.

(f) It is the intent of the Legislature, in enacting this section, that these allocations directly or indirectly assist in the financing or refinancing, in whole or in part, of the community's redevelopment project pursuant to Section 16 of Article XVI of the California Constitution.

(g) In making the annual determinations required by subdivision (a), the Director of Finance shall use those amounts reported in "Table 7, Assessed Valuation, Tax Increment Distribution and Statement of Indebtedness" for all agencies and for each agency in the most recent published edition of the Controller's Community Redevelopment Agencies Annual Report made pursuant to Section 12463.3 of the Government Code.

(h) If revised reports have been accepted by the Controller on or before September 1 of the applicable fiscal year, the Director of Finance shall use appropriate data that has been certified by the Controller for the purpose of making the determinations required by subdivision (a).

(i) Nothing in this section shall be construed as extending the time limits on the ability of agencies to do any of the following:

(1) Establish loans, advances, or indebtedness.

(2) Receive tax increment revenues.

(3) Exercise eminent domain powers.

SEC. 54. Section 33686 is added to the Health and Safety Code, to read:

33686. (a) (1) For purposes of this section, "existing indebtedness" means one or more of the following obligations incurred by a redevelopment agency prior to the effective date of this section, the payment of which is to be made in whole or in part, directly or indirectly, out of taxes allocated to the agency pursuant to Section 33670, and that is required by law or provision of the existing indebtedness to be made during the fiscal year of the relevant allocation required by Section 33685:

(A) Bonds, notes, interim certificates, debentures, or other obligations issued by the agency whether funded, refunded, assumed, or otherwise pursuant to Article 5 (commencing with Section 33640).

(B) Loans or moneys advanced to the agency, including, but not limited to, loans from federal, state, or local agencies, or a private entity.

(C) A contractual obligation that, if breached, could subject the agency to damages or other liabilities or remedies.

(D) An obligation incurred pursuant to Section 33445.

(E) Indebtedness incurred pursuant to Section 33334.2.

(F) An amount, to be expended for the operation and administration of the agency, that may not exceed 90 percent of the amount spent for those purposes in the 2005–06 fiscal year.

(G) Obligations imposed by law with respect to activities that occurred prior to the effective date of the act that adds this section.

(2) Existing indebtedness incurred prior to the effective date of this section may be refinanced, refunded, or restructured after that date, and shall remain existing indebtedness for the purposes of this section if the annual debt service during that fiscal year does not increase over the prior fiscal year and the refinancing does not reduce the ability of the agency to make the payment required by subdivision (a) of Section 33685.

(3) For purposes of this section, indebtedness shall be deemed to be incurred prior to the effective date of this section if the agency has entered into a binding contract subject to normal marketing conditions or to deliver the indebtedness, or if the redevelopment agency has received bids for the sale of the indebtedness prior to that date and the indebtedness is issued for value and evidence

thereof is delivered to the initial purchaser no later than 30 days after the date of the contract or sale.

(b) For the 2008–09 fiscal year, an agency that has adopted a resolution pursuant to subdivision (c) may allocate, pursuant to subdivision (a) of Section 33685, to the auditor less than the amount required by subdivision (a) of Section 33685 if the agency finds that any of the following has occurred:

(1) That the difference between the amount allocated to the agency and the amount required by subdivision (a) of Section 33685 is necessary to make payments on existing indebtedness that are due or required to be committed, set aside, or reserved by the agency during the 2008–09 fiscal year and that are used by the agency for that purpose, and the agency has no other funds that can be used to pay this existing indebtedness and no other feasible method to reduce or avoid this indebtedness.

(2) The agency has no other funds to make the allocation required by subdivision (a) of Section 33685.

(c) (1) Any agency that intends to allocate, pursuant to subdivision (b), to the auditor less than the amount required by subdivision (a) of Section 33685 shall adopt, prior to December 31, 2008, after a noticed public hearing, a resolution that lists all of the following:

(A) Each existing indebtedness incurred prior to the effective date of this section.

(B) Each indebtedness on which a payment is required to be made during the applicable fiscal year.

(C) The amount of each payment, the time when it is required to be paid, and the total of the payments required to be made during the applicable fiscal year. For indebtedness that bears interest at a variable rate, or for short-term indebtedness that is maturing during the fiscal year and that is expected to be refinanced, the amount of payments during the fiscal year shall be estimated by the agency.

(2) The information contained in the resolution required by this subdivision shall be reviewed for accuracy by the chief fiscal officer of the agency.

(3) The legislative body shall additionally adopt the resolution required by this section.

(d) (1) Any agency that determines, pursuant to subdivision (b), that it will be unable in the 2008–09 fiscal year to allocate the full amount required by subdivision (a) of Section 33685 may enter into, subject to paragraph (3), an agreement with the legislative body by February 15, 2009, to fund the payment of the difference between the full amount required to be paid pursuant to subdivision (a) of Section 33685 and the amount available for allocation by the agency.

(2) The obligations imposed by paragraph (1) are hereby declared to be indebtedness incurred by the agency to finance a portion of a redevelopment project within the meaning of Section 16 of Article XVI of the California Constitution. This indebtedness shall be payable from tax revenues apportioned to the agency pursuant to Section 33670, and any other funds received by the agency. The obligations imposed by paragraph (1) shall remain an indebtedness of the agency to the legislative body until paid in full, or until the agency and the legislative body otherwise agree.

(3) The agreement described in paragraph (1) shall be subject to those terms and conditions specified in a written agreement between the legislative body and the agency.

(e) If the agency fails to provide to the county auditor the full payment required under Section 33685, or fails to arrange for full payment to be provided on the agency's behalf pursuant to subdivision (d) or by Section 33687 or 33688, all of the following shall apply:

(1) The agency shall be prohibited from adding new project areas or expanding existing project areas. For purposes of this paragraph, "project area" has the same meaning as in Sections 33320.1 to 33320.3, inclusive, and Section 33492.3.

(2) The agency shall be prohibited from issuing new bonds, notes, interim certificates, debentures, or other obligations, whether funded, refunded, assumed, or otherwise, pursuant to Article 5 (commencing with Section 33640) of this chapter.

(3) The agency shall be prohibited from encumbering any funds or expending any moneys derived from any source, except that the agency may encumber funds and expend funds to pay, if any, all of the following:

(A) Bonds, notes, interim certificates, debentures, or other obligations issued by an agency before the imposition of the prohibition in paragraph (2), whether funded, refunded, assumed, or otherwise, pursuant to Article 5 (commencing with Section 33460) of this chapter.

(B) Loans or moneys advanced to the agency, including, but not limited to, loans from federal, state, local agencies, or a private entity.

(C) Contractual obligations that, if breached, could subject the agency to damages or other liabilities or remedies.

(D) Obligations incurred pursuant to Section 33445.

(E) Indebtedness incurred pursuant to Section 33334.2 or 33334.6.

(F) Obligations incurred pursuant to Section 33401.

(G) An amount, to be expended for the monthly operation and administration of the agency, that may not exceed 75 percent of the average monthly amount spent for those purposes in the fiscal year preceding the fiscal year in which the agency failed to make the payment required by subdivision (a) of Section 33685.

(f) The prohibitions identified in subdivision (e) shall be lifted once the county auditor certifies to the Director of Finance that the payment required by Section 33685 has been made by the agency, or that payment has been made on the agency's behalf pursuant to this section or to Section 33687 or 33688.

SEC. 55. Section 33687 is added to the Health and Safety Code, to read:

33687. (a) In lieu of the remittance required by Section 33685, for the 2008–09 fiscal year, a legislative body may remit, prior to May 10, 2009, an amount equal to the amount determined for the agency pursuant to subparagraph (J) of paragraph (2) of subdivision (a) of Section 33685 to the county auditor for deposit in the county Educational Revenue Augmentation Fund, created pursuant to Article 3 (commencing with Section 97) of Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code. Notwithstanding any other provision of law, in the 2008–09 fiscal year, no funds deposited in the county Educational Revenue Augmentation Fund pursuant to this section shall be distributed to a community college district.

(b) The legislative body may make the remittance authorized by this section from any funds that are legally available for this purpose. No moneys held in an agency's Low and Moderate Income Housing Fund, pursuant to Sections 33334.2, 33334.3, and 33334.6, shall be used for this purpose.

(c) If the legislative body, pursuant to subdivision (d) of Section 33685, reported to the county auditor that it intended to remit the amount in lieu of the agency and the legislative body fails to transmit the full amount as authorized by this section by May 10, 2009, the county auditor, no later than May 15, 2009, shall transfer an amount necessary to meet the obligation from the legislative body's allocations pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code. If the amount of the legislative body's allocations are not sufficient to meet this obligation, the county auditor shall transfer an additional amount necessary to meet this obligation from the property tax increment revenue apportioned to the agency pursuant to Section 33670, provided that no moneys allocated to the agency's Low and Moderate Income Housing Fund shall be used for this purpose.

SEC. 56. Section 33688 is added to the Health and Safety Code, to read:

33688. (a) For purposes of this section, an "authorized issuer" is limited to a joint powers entity created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code that consists of no less than 100 local agencies issuing bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1984 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code).

(b) An authorized issuer may issue bonds, notes, or other evidence of indebtedness to provide net proceeds to make one or more loans to one or more agencies to be used by the agency to timely make the payment required by Section 33684.

(c) With the prior approval of the legislative body by adoption of a resolution by a majority of that body that recites that a first lien on the property tax revenues allocated to the legislative body will be created in accordance with subdivision (h), an agency may enter into an agreement with an authorized issuer issuing bonds pursuant to subdivision (b) to repay a loan used to make the payment required by Section 33685. For the purpose of calculating the amount that has been divided and allocated to the agency to determine whether the limitation adopted pursuant to Section 33333.2 or 33333.4 or pursuant to an agreement or court order that has been reached, any funds used to repay a loan entered into pursuant to this section shall be deducted from the amount of property tax revenue deemed to have been received by the agency.

(d) A loan made pursuant to this section shall be repayable by the agency from any available funds of the agency not otherwise obligated for other uses and shall be repayable by the agency on a basis subordinate to all existing and future obligations of the agency.

(e) Upon making a loan to an agency pursuant to this section, the trustee for the bonds issued to provide the funds to make the loan shall timely pay, on behalf of the agency, to the county auditor of the county in which the agency is located the net proceeds (after payment of costs of issuance, credit enhancement costs, and reserves, if any) of the loan in payment in full or in part, as directed by the agency, of the amount required to be paid by the agency pursuant to Section 33685 and shall provide the county auditor with the repayment schedule for the loan, together with the name of the trustee.

(f) In the event the agency shall fail to repay timely, at any time and from time to time, the loan in accordance with the schedule provided to the county auditor, the trustee for the bonds shall promptly notify the county auditor of the amount of the payment on the loan that is past due.

(g) The county auditor shall reallocate from the legislative body and shall pay, on behalf of the agency, the past due amount from the first available proceeds of the property tax allocation that would otherwise be transferred to the legislative body pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code. This transfer shall be deemed a reallocation of the property tax revenue from the legislative body to the agency for the purpose of payment of the loan, and not as a payment by the legislative body on the loan.

(h) To secure repayment of a loan to an agency made pursuant to this section, the trustee for the bonds issued to provide the funds to make the loan shall have a lien on the property tax revenues allocated to the legislative body pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code. This lien shall arise by operation of this section automatically upon the making of the loan without the need for any action on the part of any person. This lien shall be valid, binding, perfected, and enforceable against the legislative body, its successors, creditors, purchasers, and all others asserting rights in those property tax revenues, irrespective of whether those persons have notice of the lien, irrespective of the fact that the property tax revenues subject to the lien may be commingled with other property, and without the need for physical delivery, recordation, public notice, or any other act. This lien shall be a first priority lien on these property tax revenues. This lien shall not apply to any portion of the property taxes allocated to the agency pursuant to Section 33670.

SEC. 57. Section 33689 is added to the Health and Safety Code, to read:

33689. For the purpose of calculating the amount that has been divided and allocated to the agency to determine whether the limitation adopted pursuant to Section 33333.2 or 33333.4 or pursuant to agreement or court order that has been reached, any payments made pursuant to subdivision (a) of Section 33685 with property tax revenues shall be deducted from the amount of property tax dollars deemed to have been received by the agency.

SEC. 58. Section 1060 of the Insurance Code is amended to read:

1060. The commissioner shall transmit all of the following to the Governor, the Legislature, and to the committees of the Senate and Assembly having jurisdiction over insurance in the annual report submitted pursuant to Section 12922:

(a) The names of the persons proceeded against under this article.

(b) Whether such persons have resumed business or have been liquidated or have been mutualized.

(c) Such other facts on the operations of the Conservation & Liquidation Office as will acquaint the Governor, the policyholders, creditors, shareholders and the public with his or her proceedings under this article, including, but not limited to:

(1) An itemization of the number of staff, total salaries of staff, a description of the compensation methodology, and an organizational flowchart.

(2) Annual operating goals and results.

(3) A summary of all Conservation and Liquidation Office costs, including an itemization of internal and external costs, and a description of the methodology used to allocate those costs among insurer estates.

(4) A list of all current insolvencies not closed within ten years of a court ordered liquidation, and a narrative explaining why each insolvency remains open.

(5) An accounting of total claims by estate.

(6) A list of current year and cumulative distributions by class of creditor for each estate.

(7) For each proceeding, the net value of the estate at the time of conservation or liquidation and the net value at the end of the preceding calendar year.

(d) Other facts on the operations of the individual estates as will acquaint the Governor, Legislature, policyholders, creditors, shareholders, and the public with his or her proceedings under this article, including, but not limited to:

(1) The annual operating goals and results.

(2) The status of the conservation and liquidation process.

(3) Financial statements, including current and cumulative distributions, comparing current calendar year to prior year.

SEC. 59. Section 62.5 of the Labor Code is amended to read:

62.5. (a) (1) The Workers' Compensation Administration Revolving Fund is hereby created as a special account in the State Treasury. Money in the fund may be expended by the department, upon appropriation by the Legislature, for all of the following purposes, and may not be used or borrowed for any other purpose:

(A) For the administration of the workers' compensation program set forth in this division and Division 4 (commencing with Section 3200), other than the activities financed pursuant to Section 3702.5.

(B) For the Return-to-Work Program set forth in Section 139.48.

(C) For the enforcement of the insurance coverage program established and maintained by the Labor Commissioner pursuant to Section 90.3.

(2) The fund shall consist of surcharges made pursuant to subdivision (e).

(b) (1) The Uninsured Employers Benefits Trust Fund is hereby created as a special trust fund account in the State Treasury, of which the director is trustee, and its sources of funds are as provided in subdivision (e). Notwithstanding Section 13340 of the Government Code, the fund is continuously appropriated for the payment of nonadministrative expenses of the workers' compensation program for workers injured while employed by uninsured employers in accordance with Article 2 (commencing with Section 3710) of Chapter 4 of Part 1 of Division 4, and shall not be used for any other purpose. All moneys collected shall be retained in the trust fund until paid as benefits to workers injured while employed by uninsured employers. Nonadministrative expenses include audits and reports of services prepared pursuant to subdivision (b) of Section 3716.1. The surcharge amount for this fund shall be stated separately.

(2) Notwithstanding any other provision of law, all references to the Uninsured Employers Fund shall mean the Uninsured Employers Benefits Trust Fund.

(3) Notwithstanding paragraph (1), in the event that budgetary restrictions or impasse prevent the timely payment of administrative expenses from the Workers' Compensation Administration Revolving Fund, those expenses shall be advanced from the Uninsured Employers Benefits Trust Fund. Expense advances made pursuant to this paragraph shall be reimbursed in full to the Uninsured Employers Benefits Trust Fund upon enactment of the annual Budget Act.

(4) Any moneys from penalties collected pursuant to Section 3722 as a result of the insurance coverage program established under Section 90.3 shall be deposited in the State Treasury to the credit of the Workers' Compensation Administration Revolving Fund created under Section 62.5, to cover expenses incurred by the director under the insurance coverage program. The amount of any penalties in excess of payment of administrative expenses incurred by the director for the insurance coverage program established under Section 90.3 shall be deposited in the State Treasury to the credit of the Uninsured Employers Benefits Trust Fund for nonadministrative expenses, as prescribed in paragraph (1), and notwithstanding paragraph (1), shall only be available upon appropriation by the Legislature.

(c) (1) The Subsequent Injuries Benefits Trust Fund is hereby created as a special trust fund account in the State Treasury, of which the director is trustee, and its sources of funds are as provided in subdivision (e). Notwithstanding Section 13340 of the Government Code, the fund is continuously appropriated for the nonadministrative expenses of the workers' compensation program for workers who have suffered serious injury and who are suffering from previous and serious permanent disabilities or physical impairments, in accordance with Article 5 (commencing with Section 4751) of Chapter 2 of Part 2 of Division 4, and Section 4 of Article XIV of the California Constitution, and shall not be used for any other purpose. All moneys collected shall be retained in the trust fund until paid as benefits to workers who have suffered serious injury and who are suffering from previous and serious permanent disabilities or physical impairments. Nonadministrative expenses include audits and reports of services pursuant to subdivision (c) of Section 4755. The surcharge amount for this fund shall be stated separately.

(2) Notwithstanding any other provision of law, all references to the Subsequent Injuries Fund shall mean the Subsequent Injuries Benefits Trust Fund.

(3) Notwithstanding paragraph (1), in the event that budgetary restrictions or impasse prevent the timely payment of administrative expenses from the Workers' Compensation Administration Revolving Fund, those expenses shall be advanced from the Subsequent Injuries Benefits Trust Fund. Expense advances made pursuant to this paragraph shall be reimbursed in full to the Subsequent Injuries Benefits Trust Fund upon enactment of the annual Budget Act.

(d) The Occupational Safety and Health Fund is hereby created as a special account in the State Treasury. Moneys in the account may be expended by the department, upon appropriation by the Legislature, for support of the Division of Occupational Safety and Health, the Occupational Safety and Health Standards Board, and the Occupational Safety and Health Appeals Board, and the activities these entities perform as set forth in this division, and Division 5 (commencing with Section 6300).

(e) (1) Separate surcharges shall be levied by the director upon all employers, as defined in Section 3300, for purposes of deposit in the Workers' Compensation Administration Revolving Fund, the Uninsured Employers Benefits Trust Fund, the Subsequent Injuries Benefits Trust Fund, and the Occupational Safety and Health Fund. The total amount of the surcharges shall be allocated between self-insured employers and insured employers in proportion to payroll respectively paid in the most recent year for which payroll information is available. The director shall adopt reasonable regulations governing the manner of collection of the surcharges. The regulations shall require the surcharges to be paid by self-insurers to be expressed as a percentage of indemnity paid during the most recent year for which information is available, and the surcharges to be paid by insured employers to be expressed as a percentage of premium. In no event shall the surcharges paid by insured employers be considered a premium for computation of a gross premium tax or agents' commission. In no event shall the total amount of the surcharges paid by insured and self-insured employers exceed the amounts reasonably necessary to carry out the purposes of this section.

(2) The regulations adopted pursuant to paragraph (1) shall be exempt from the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

SEC. 60. Section 62.9 of the Labor Code is amended to read:

62.9. (a) (1) The director shall levy and collect assessments from employers in accordance with this section. The total amount of the assessment collected shall be the amount determined by the director to be necessary to produce the revenue sufficient to fund the programs specified by Section 62.7, except that the amount assessed in any year for those purposes shall not exceed 50 percent of the amounts appropriated from the General Fund for the support of the occupational safety and health program for the 1993–94 fiscal year, adjusted for inflation. The director also shall include in the total assessment amount the department's costs for administering the assessment, including the collections process and the cost of reimbursing the Franchise Tax Board for its cost of collection activities pursuant to subdivision (c).

(2) The insured employers and private sector self-insured employers that, pursuant to subdivision (b), are subject to assessment shall be assessed, respectively, on the basis of their annual payroll subject to premium charges or their annual payroll that would be subject to premium charges if the employer were insured, as follows:

(A) An employer with a payroll of less than two hundred fifty thousand dollars ($250,000) shall be assessed one hundred dollars ($100).

(B) An employer with a payroll of two hundred fifty thousand dollars ($250,000) or more, but not more than five hundred thousand dollars ($500,000), shall be assessed two hundred dollars ($200).

(C) An employer with a payroll of more than five hundred thousand dollars ($500,000), but not more than seven hundred fifty thousand dollars ($750,000), shall be assessed four hundred dollars ($400).

(D) An employer with a payroll of more than seven hundred fifty thousand dollars ($750,000), but not more than one million dollars ($1,000,000), shall be assessed six hundred dollars ($600).

(E) An employer with a payroll of more than one million dollars ($1,000,000), but not more than one million five hundred thousand dollars ($1,500,000), shall be assessed eight hundred dollars ($800).

(F) An employer with a payroll of more than one million five hundred thousand dollars ($1,500,000), but not more than two million dollars ($2,000,000), shall be assessed one thousand dollars ($1,000).

(G) An employer with a payroll of more than two million dollars ($2,000,000), but not more than two million five hundred thousand dollars ($2,500,000), shall be assessed one thousand five hundred dollars ($1,500).

(H) An employer with a payroll of more than two million five hundred thousand dollars ($2,500,000), but not more than three million five hundred thousand dollars ($3,500,000), shall be assessed two thousand dollars ($2,000).

(I) An employer with a payroll of more than three million five hundred thousand dollars ($3,500,000), but not more than four million five hundred thousand dollars ($4,500,000), shall be assessed two thousand five hundred dollars ($2,500).

(J) An employer with a payroll of more than four million five hundred thousand dollars ($4,500,000), but not more than five million five hundred thousand dollars ($5,500,000), shall be assessed three thousand dollars ($3,000).

(K) An employer with a payroll of more than five million five hundred thousand dollars ($5,500,000), but not more than seven million dollars ($7,000,000), shall be assessed three thousand five hundred dollars ($3,500).

(L) An employer with a payroll of more than seven million dollars ($7,000,000), but not more than twenty million dollars ($20,000,000), shall be assessed six thousand seven hundred dollars ($6,700).

(M) An employer with a payroll of more than twenty million dollars ($20,000,000) shall be assessed ten thousand dollars ($10,000).

(b) (1) In the manner as specified by this section, the director shall identify those insured employers having a workers' compensation experience modification rating of 1.25 or more, and private sector self-insured employers having an equivalent experience modification rating of 1.25 or more as determined pursuant to subdivision (e).

(2) The assessment required by this section shall be levied annually, on a calendar year basis, on those insured employers and private sector self-insured employers, as identified pursuant to paragraph (1), having the highest workers' compensation experience modification ratings or equivalent experience modification ratings, that the director determines to be required numerically to produce the total amount of the assessment to be collected pursuant to subdivision (a).

(c) The director shall collect the assessment from insured employers as follows:

(1) Upon the request of the director, the Department of Insurance shall direct the licensed rating organization designated as the department's statistical agent to provide to the director, for purposes of subdivision (b), a list of all insured employers having a workers' compensation experience rating modification of 1.25 or more, according to the organization's records at the time the list is requested, for policies commencing the year preceding the year in which the assessment is to be collected.

(2) The director shall determine the annual payroll of each insured employer subject to assessment from the payroll that was reported to the licensed rating organization identified in paragraph (1) for the most recent period for which one full year of payroll information is available for all insured employers.

(3) On or before September 1 of each year, the director shall determine each of the current insured employers subject to assessment, and the amount of the total assessment for which each insured employer is liable. The director immediately shall notify each insured employer, in a format chosen by the insurer, of the insured's obligation to submit payment of the assessment to the director within 30 days after the date the billing was mailed, and

warn the insured of the penalties for failure to make timely and full payment as provided by this subdivision.

(4) The director shall identify any insured employers that, within 30 days after the mailing of the billing notice, fail to pay, or object to, their assessments. The director shall mail to each of these employers a notice of delinquency and a notice of the intention to assess penalties, advising that, if the assessment is not paid in full within 15 days after the mailing of the notices, the director will levy against the employer a penalty equal to 25 percent of the employer's assessment, and will refer the assessment and penalty to the Franchise Tax Board or another agency for collection. The notices required by this paragraph shall be sent by United States first-class mail.

(5) If an assessment is not paid by an insured employer within 15 days after the mailing of the notices required by paragraph (4), the director shall refer the delinquent assessment and the penalty to the Franchise Tax Board, or another agency, as deemed appropriate by the director, for collection pursuant to Section 19290.1 of the Revenue and Taxation Code.

(d) The director shall collect the assessment directly from private sector self-insured employers. The failure of any private sector self-insured employer to pay the assessment as billed constitutes grounds for the suspension or termination of the employer's certificate to self-insure.

(e) The director shall adopt regulations implementing this section that include provision for a method of determining experience modification ratings for private sector self-insured employers that is generally equivalent to the modification ratings that apply to insured employers and is weighted by both severity and frequency.

(f) The director shall determine whether the amount collected pursuant to any assessment exceeds expenditures, as described in subdivision (a), for the current year and shall credit the amount of any excess to any deficiency in the prior year's assessment or, if there is no deficiency, against the assessment for the subsequent year.

SEC. 61. Section 139.48 of the Labor Code is amended to read:

139.48. (a) (1) The administrative director shall establish the Return-to-Work Program in order to promote the early and sustained return to work of the employee following a work-related injury or illness.

(2) This section shall be implemented to the extent funds are available.

(b) Upon submission by eligible employers of documentation in accordance with regulations adopted pursuant to subdivision (h), the administrative director shall pay the workplace modification expense reimbursement allowed under this section.

(c) The administrative director shall reimburse an eligible employer for expenses incurred to make workplace modifications to accommodate the employee's return to modified or alternative work, as follows:

(1) The maximum reimbursement to an eligible employer for expenses to accommodate each temporarily disabled injured worker is one thousand two hundred fifty dollars ($1,250).

(2) The maximum reimbursement to an eligible employer for expenses to accommodate each permanently disabled worker who is a qualified injured worker is two thousand five hundred dollars ($2,500). If the employer received reimbursement under paragraph (1), the amount of the reimbursement under paragraph (1) and this paragraph shall not exceed two thousand five hundred dollars ($2,500).

(3) The modification expenses shall be incurred in order to allow a temporarily disabled worker to perform modified or alternative work within physician-imposed temporary work restrictions, or to allow a permanently disabled worker who is an injured worker to return to sustained modified or alternative employment with the employer within physician-imposed permanent work restrictions.

(4) Allowable expenses may include physical modifications to the worksite, equipment, devices, furniture, tools, or other necessary costs for accommodation of the employee's restrictions.

(d) This section shall not create a preference in employment for injured employees over noninjured employees. It shall be unlawful for an employer to discriminatorily terminate, lay off, demote, or otherwise displace an employee in order to return an industrially injured employee to employment for the purpose of obtaining the reimbursement set forth in subdivision (c).

(e) For purposes of this section, the following definitions apply:

(1) "Eligible employer" means any employer, except the state or an employer eligible to secure the payment of compensation pursuant to subdivision (c) of Section 3700, who employs 50 or fewer full-time employees on the date of injury.

(2) “Employee” means a worker who has suffered a work-related injury or illness on or after July 1, 2004.

(f) The administrative director shall adopt regulations to carry out this section. Regulations allocating budget funds that are insufficient to implement the workplace modification expense reimbursement provided for in this section shall include a prioritization schema.

(g) The Workers’ Compensation Return-to-Work Fund is hereby created as a special fund in the State Treasury. The fund shall consist of all penalties collected pursuant to Section 5814.6 and transfers made by the administrative director from the Workers’ Compensation Administration Revolving Fund established pursuant to Section 62.5. The fund shall be administered by the administrative director. Moneys in the fund may be expended by the administrative director, upon appropriation by the Legislature, only for purposes of implementing this section.

(h) This section shall be operative on July 1, 2004.

(i) This section shall remain in effect only until January 1, 2010, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2010, deletes or extends that date.

SEC. 62. Section 69.9 is added to the Military and Veterans Code, to read:

69.9. (a) On or before January 10, 2009, and on or before January 10 of each year thereafter, the department shall provide the fiscal committees of both houses of the Legislature with a fiscal estimate package containing the anticipated budget year costs of carrying out the current year’s level of service as authorized by the Legislature for the state veterans homes.

(b) (1) The fiscal estimate package shall include, but not be limited to, the following information, which shall be provided for each veterans home:

(A) An annual resident census by level of care.

(B) An annual position summary by level of care and nonlevel of care.

(C) Operating and equipment expenses, including, but not limited to, the following:

(i) Cost adjustments specific to the adjustment in the number of residents by level of care.

(ii) Any staff adjustments, whether level of care or nonlevel of care.

(D) A fiscal display of any moneys budgeted by the department as revenues or recoveries to the General Fund.

(2) Each fiscal estimate package shall include, in addition to the information provided pursuant to paragraph (1), a description of the assumptions and methodologies used for calculating the resident level of care factors, all staffing costs, and operating and equipment expenses. Fiscal bridge charts shall be included that display the year-to-year changes in funding levels by funding source.

(3) The department may provide any additional information as deemed appropriate to provide a comprehensive fiscal perspective to the Legislature for the analysis and deliberations for purposes of appropriation.

(c) On or before May 15, 2009, and on or before May 15 of each year thereafter, the department shall provide the fiscal committees of both houses of the Legislature with an updated fiscal estimate package that shall include, but is not limited to, an updated fiscal display of any moneys budgeted by the department as revenues or recoveries to the General Fund and updated fiscal bridge charts that display the year-to-year changes in funding levels by funding source.

SEC. 63. Section 25416 of the Public Resources Code is amended to read:

25416. (a) The State Energy Conservation Assistance Account is hereby created in the General Fund. Notwithstanding Section 13340 of the Government Code, the account is continuously appropriated to the commission without regard to fiscal year.

(b) The money in the account shall consist of all money authorized or required to be deposited in the account by the Legislature and all money received by the commission pursuant to Sections 25414 and 25415.

(c) The money in the account shall be disbursed by the Controller for the purposes of this chapter as authorized by the commission.

(d) The commission may contract and provide grants for services to be performed for eligible institutions. Services may include, but are not limited to, feasibility analysis, project design, field assistance, and operation and training. The amount expended for those services may not exceed 10 percent of the balance of the account as determined by the commission on July 1 of each year.

(e) The commission may make grants for innovative projects and programs. The amount expended for grants may not exceed 5 percent of the annual appropriation from the account.

(f) The commission may charge a fee for the services provided under subdivision (d).

(g) Notwithstanding any other provision of law, the Controller may use the State Energy Conservation Assistance Account for loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code.

SEC. 64. Section 281 of the Public Utilities Code is amended to read:

281. Any revenues that are deposited in funds created pursuant to this chapter shall not be used by the state for any purpose other than as specified in this chapter. Notwithstanding any other provision of law, the Controller may use the funds created pursuant to this chapter for loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code.

SEC. 65. Section 18535 of the Revenue and Taxation Code is amended to read:

18535. (a) In lieu of electing nonresident partners filing a return pursuant to Section 18501, the Franchise Tax Board may, pursuant to requirements and conditions set forth in forms and instructions, provide for the filing of a group return for one or more electing nonresident partners by a partnership doing business in, or deriving income from, sources in California. The tax rate or rates applicable to each electing partner's distributive share shall consist of the highest marginal rate or rates provided by Part 10 (commencing with Section 17001) plus, in the case of any electing nonresident partner included on the group return who would be subject to Section 17043 when filing individually, an additional tax rate of 1 percent. Except as provided in subdivision (b), no deductions shall be allowed except those necessary to determine each partner's distributive share, and no credits shall be allowed except those directly attributable to the partnership. As required by the Franchise Tax Board, the partnership as agent for the electing partners shall make the payments of tax, additions to tax, interest, and penalties otherwise required to be paid by the electing partners.

(b) Deductions provided by Chapter 5 (commencing with Section 17501) of Part 10, attributable to earned income of a partner derived from a partnership filing a group return on behalf of electing nonresident partners under subdivision (a), shall be allowed if the partner certifies, in the form and manner as the Franchise Tax Board may prescribe, that he or she has no earned income from any other source.

(c) This section shall also be applicable to a nonresident shareholder of a corporation which is treated as an "S" corporation under Chapter 4.5 (commencing with Section 23800) of Part 11. In that case, the provisions of subdivisions (a) and (b) are modified to refer to"shareholder or shareholders" in lieu of "partners" and to "S" corporation in lieu of "partnership."

(d) This section shall also be applicable to a nonresident individual with a membership or economic interest in a limited liability company, registered limited liability partnership, or foreign limited liability partnership, which is classified as a partnership for California tax purposes. In that case, the provisions of subdivisions (a) and (b) are modified to refer to "holders of a membership or economic interest" in lieu of "partners" and to "limited liability companies" in lieu of "partnerships," and "partnerships" shall include registered limited liability partnerships and foreign limited liability partnerships.

(e) The Franchise Tax Board may adjust the income of an electing nonresident taxpayer included in a group return filed under this section to properly reflect income under Part 10 (commencing with Section 17001), including Chapter 11 thereof (commencing with Section 17951), this part (commencing with Section 18401), and Part 11 (commencing with Section 23001), including Chapter 17 thereof (commencing with Section 25101).

SEC. 66. Section 18536 of the Revenue and Taxation Code is amended to read:

18536. (a) In lieu of electing nonresident directors filing a return pursuant to Section 18501, the Franchise Tax Board may, pursuant to requirements and conditions set forth in applicable forms and instructions, provide for the filing of a group return by a corporation for one or more electing nonresident individuals who receive wages, salaries, fees, or other compensation from that corporation for director services, including attendance of board of directors' meetings that take place in this state. The tax rate or rates applicable to each director's compensation for services performed in this state shall consist of highest marginal rate or rates provided for by Part 10 (commencing with Section 17001) of Division 2 plus, in the case of any electing nonresident director included on the group return who would be subject to Section 17043 when filing individually, an additional tax rate of 1 percent and no deductions or credits shall be allowed. As required by the Franchise Tax Board, the corporation, as the agent for the electing nonresident directors, shall make the payments of tax, additions to tax, interest, and penalties otherwise required to be paid by, or imposed on, the electing directors.

(b) The Franchise Tax Board may adjust the income of an electing nonresident taxpayer included in a group return filed under this section to properly reflect the income under Part 10 (commencing with Section 17001) of Division 2.

SEC. 67. Section 19011.5 is added to the Revenue and Taxation Code, to read:

19011.5. (a) All payments required by an individual under this part, regardless of the taxable year to which the payments apply, made on or after January 1, 2009, shall be electronically remitted to the Franchise Tax Board in the form and manner prescribed by the Franchise Tax Board, once any of the following conditions are met by an individual:

(1) Any installment payment of estimated tax made pursuant to this part in excess of twenty thousand dollars ($20,000), or any payment made pursuant to Section 18567 with regard to an extension of time to file that exceeds twenty thousand dollars ($20,000), for any taxable year beginning on or after January 1, 2009.

(2) The total tax liability exceeds eighty thousand dollars ($80,000) in any taxable year beginning on or after January 1, 2009. For purposes of this section, total tax liability shall be the total tax liability as shown on the original return, after any adjustment made pursuant to Section 19051.

(b) A taxpayer required to electronically remit payment to the Franchise Tax Board pursuant to this section may elect to discontinue making payments electronically where the threshold requirements set forth in paragraphs (1) and (2) of subdivision (a) were not met for the preceding taxable year. The election shall be made in a form and manner prescribed by the Franchise Tax Board.

(c) Any taxpayer required to electronically remit payment pursuant to this section who makes payment by other means shall pay a penalty of 1 percent of the amount paid, unless it is shown that the failure to make payment as required was for reasonable cause and was not the result of willful neglect.

(d) Any taxpayer required to electronically remit payments pursuant to this section may request a waiver of those requirements from the Franchise Tax Board. The Franchise Tax Board may grant a waiver only if it determines that the particular amounts paid in excess of the threshold amounts established in this section were not representative of the taxpayer's tax liability. If the Franchise Tax Board grants a waiver to a taxpayer, the waiver shall be in writing, and subsequent electronic remittances shall be required only on those terms set forth in the written waiver.

(e) For purposes of this section, Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to subdivision (a).

(f) For purposes of this section, both of the following shall apply:

(1) "Electronically remit" means to send payment through use of any of the electronic payment applications provided by the Franchise Tax Board, including, but not limited to, a pay by phone option, when made available by the Franchise Tax Board.

(2) "Pay by phone" means a method that allows a taxpayer to authorize a transfer of funds from a financial institution using telephonic technology.

SEC. 68. Section 19280 of the Revenue and Taxation Code is amended to read:

19280. (a) (1) Fines, state or local penalties, bail, forfeitures, restitution fines, restitution orders, or any other amounts imposed by a superior court of the State of California upon a person or any other entity that are due and payable in an amount totaling no less than one hundred dollars ($100), in the aggregate, for criminal offenses, including all offenses involving a violation of the Vehicle Code, may, no sooner than 90 days after payment of that amount becomes delinquent, be referred by the superior court, the county, or the state to the Franchise Tax Board for collection under guidelines prescribed by the Franchise Tax Board.

(2) For purposes of this subdivision:

(A) The amounts referred by the superior court, the county, or state under this section may include any amounts that a government entity may add to the court-imposed obligation as a result of the underlying offense, trial, or conviction. For purposes of this article, those amounts shall be deemed to be imposed by the court.

(B) Restitution orders may be referred to the Franchise Tax Board only by a government entity, as agreed upon by the Franchise Tax Board, provided that all of the following apply:

(i) The government entity has the authority to collect on behalf of the state or the victim.

(ii) The government entity shall be responsible for distributing the restitution order collections, as appropriate.

(iii) The government entity shall ensure, in making the referrals and distributions, that it coordinates with any other related collection activities that may occur by superior courts, counties, or other state agencies.

(iv) The government entity shall ensure compliance with laws relating to the reimbursement of the State Restitution Fund.

(C) The Franchise Tax Board shall establish criteria for referral, which shall include setting forth a minimum dollar amount subject to referral and collection.

(b) The Franchise Tax Board, in conjunction with the Judicial Council, shall seek whatever additional resources are needed to accept referrals from all 58 counties or superior courts.

(c) Upon written notice to the debtor from the Franchise Tax Board, any amount referred to the Franchise Tax Board under subdivision (a) and any interest thereon, including any interest on the amount referred under subdivision (a) that accrued prior to the date of referral, shall be treated as final and due and payable to the State of California, and shall be collected from the debtor by the Franchise Tax Board in any manner authorized under the law for collection of a delinquent personal income tax liability, including, but not limited to, issuance of an order and levy under Article 4 (commencing with Section 706.070) of Chapter 5 of Division 2 of Title 9 of Part 2 of the Code of Civil Procedure in the manner provided for earnings withholding orders for taxes.

(d) (1) Part 10 (commencing with Section 17001), this part, Part 10.7 (commencing with Section 21001), and Part 11 (commencing with Section 23001) shall apply to amounts referred under this article in the same manner and with the same force and effect and to the full extent as if the language of those laws had been incorporated in full into this article, except to the extent that any provision is either inconsistent with this article or is not relevant to this article.

(2) Any information, information sources, or enforcement remedies and capabilities available to the court or the state referring to the amount due described in subdivision (a), shall be available to the Franchise Tax Board to be used in conjunction with, or independent of, the information, information sources, or remedies and capabilities available to the Franchise Tax Board for purposes of administering Part 10 (commencing with Section 17001), this part, Part 10.7 (commencing with Section 21001), or Part 11 (commencing with Section 23001).

(e) The activities required to implement and administer this part shall not interfere with the primary mission of the Franchise Tax Board to administer Part 10 (commencing with Section 17001) and Part 11 (commencing with Section 23001).

(f) For amounts referred for collection under subdivision (a), interest shall accrue at the greater of the rate applicable to the amount due being collected or the rate provided under Section 19521. When notice of the amount due includes interest and is mailed to the debtor and the amount is paid within 15 days after the date of notice, interest shall not be imposed for the period after the date of notice.

(g) In no event shall a collection under this article be construed as a payment of income taxes imposed under Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001).

SEC. 69. Section 19290.1 is added to the Revenue and Taxation Code, to read:

19290.1. (a) Except as otherwise provided by this section, Section 19290 shall apply to assessments and penalties that are referred to the Franchise Tax Board for collection pursuant to Section 62.9 of the Labor Code. These assessments and penalties shall be deemed for this purpose to be delinquent debts. The collection agreement described in Section 19290 may be amended to include these assessments and penalties, or a separate agreement may be entered into under that section to collect the assessments and penalties. All payments collected by the Franchise Tax Board pursuant to this section shall be deposited in the Cal-OSHA Targeted Inspection and Consultation Fund.

(b) In the event that an employer, against whom assessments and penalties as described in subdivision (a) have been levied, notifies the Franchise Tax Board that there is a disagreement as to the amount that is due and subject to collection, the Franchise Tax Board may refer the employer to the Department of Industrial Relations, return the account to the department, or rescind any collection action that may have been taken by the board.

(c) The Franchise Tax Board shall provide the Department of Industrial Relations with activity reports, no less frequently than on a quarterly basis, identifying the total amount referred for collection pursuant to Section 62.9 of the Labor Code, the amount collected from each employer, and the board's actual costs of collection. Upon appropriation by the Legislature, the board shall be reimbursed from the Cal-OSHA Targeted Inspection and Consultation Fund for its actual costs of collection.

(d) Notwithstanding any other provision of law, no interest shall be charged on any assessment or penalty as described in subdivision (a).

SEC. 72. Section 30131.4 of the Revenue and Taxation Code is amended to read:

30131.4. (a) All moneys raised pursuant to taxes imposed by Section 30131.2 shall be appropriated and expended only for the purposes expressed in the California Children and Families Act, and shall be used only to supplement existing levels of service and not to fund existing levels of service. No moneys in the California Children and Families Trust Fund shall be used to supplant state or local General Fund money for any purpose.

(b) Notwithstanding any other provision of law and the designation of the California Children and Families Trust Fund as a trust fund, the Controller may use the money raised pursuant to Section 30131.2 for the California Children and Families Trust Fund and all accounts created pursuant to subdivision (d) of Section 130105 of the Health and Safety Code for loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code. Any such loan shall be repaid from the General Fund with interest computed at 110 percent of the Pooled Money Investment Account rate, with the interest commencing to accrue on the date the loan is made from the fund or account. This subdivision does not authorize any transfer that will interfere with the carrying out of the object for which this fund or those accounts were created.

SEC. 73. Section 5891 of the Welfare and Institutions Code is amended to read:

5891. (a) The funding established pursuant to this act shall be utilized to expand mental health services. These funds shall not be used to supplant existing state or county funds utilized to provide mental health services. The state shall continue to provide financial support for mental health programs with not less than the same entitlements, amounts of allocations from the General Fund and formula distributions of dedicated funds as provided in the last fiscal year which ended prior to the effective date of this act. The state shall not make any change to the structure of financing mental health services, which increases a county's share of costs or financial risk for mental health services unless the state includes adequate funding to fully compensate for such increased costs or financial risk. These funds shall only be used to pay for the programs authorized in Section 5892. These funds may not be used to pay for any other program. These funds may not be loaned to the state General Fund or any other fund of the state, or a county general fund or any other county fund for any purpose other than those authorized by Section 5892.

(b) Notwithstanding subdivision (a), the Controller may use the funds created pursuant to this part for loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code. Any such loan shall be repaid from the General Fund with interest computed at 110 percent of the Pooled Money Investment Account rate, with interest commencing to accrue on the date the loan is made from the fund. This subdivision does not authorize any transfer that would interfere with the carrying out of the object for which these funds were created.

SEC. 74. Section 6 of Chapter 213 of the Statutes of 2000, as amended by Section 52 of Chapter 228 of the Statutes of 2003, is amended to read:

Sec. 6. The following sums are hereby appropriated from the General Fund to be allocated according to the following schedule:

(a) (1) Five million dollars ($5,000,000) to CaliforniaVolunteers, on an annual basis, for the purpose of funding grants to local and state operated Americorps and Conservation Corps programs, up to 5 percent of which may be used for state level administration costs.

(2) This subdivision shall be inoperative from July 1, 2008, to June 30, 2010, inclusive.

(b) (1) Two million five hundred thousand dollars ($2,500,000) to CaliforniaVolunteers, on an annual basis, for the purpose of funding grants to local and state operated Americorps and Conservation Corps programs, up to 5 percent of which may be used for state level administration costs.

(2) This subdivision shall be inoperative after June 30, 2010.

(c) One million dollars ($1,000,000) to the Superintendent of Public Instruction for the purpose of developing or revising, as needed, a model curriculum on the life and work of Cesar Chavez and distributing that curriculum to each school.

SEC. 75. Notwithstanding any other provision of law, the Commission on State Mandates, upon final resolution of any pending litigation challenging the constitutionality of subdivision (f) of Section 17556 of the Government Code, shall reconsider its test claim statement of decision in CSM-4509 on the Sexually Violent Predator Program to determine whether Chapters 762 and 763 of the Statutes of 1995 and Chapter 4 of the Statutes of 1996 constitute a reimbursable mandate under Section 6 of Article XIII B of the California Constitution in light of ballot measures approved by the state's voters, federal and state statutes enacted, and federal and state court decisions rendered since these statutes were enacted. The commission shall, if necessary, issue a statewide cost estimate and revise its parameters and guidelines in CSM-4509 to be consistent with this reconsideration and shall, if practicable, include a reasonable reimbursement methodology as defined in Section 17518.5 of the Government Code. If the parameters and guidelines are revised, the Controller shall revise the appropriate claiming instructions to be consistent with the revised parameters and guidelines. Any changes by the commission to the original statement of decision in CSM-4509 shall be deemed effective on July 1, 2009.

SEC. 76. Section 33 of this act, adding Section 13312 to the Government Code, shall only become operative if either a Senate Constitutional Amendment or an Assembly Constitutional Amendment of the 2007–08 Regular Session that amends Section 12 of Article IV and Section 20 of Article XVI of, and adds Section 21 to Article XVI of, the California Constitution, is submitted to, and approved by, the voters at a statewide election.

SEC. 77. The Legislature hereby finds and declares that the amendments made by this act to Section 76104.6 of the

Government Code furthers the DNA Fingerprint, Unresolved Crime and Innocence Protection Act enacted by the approval of Proposition 69 at the November 3, 2004, general election, and is consistent with its purposes.

SEC. 78. The Legislature hereby finds and declares that the amendments made by Section 72 of this act to Section 30131.4 of the Revenue and Taxation Code furthers the California Children and Families First Act of 1998 enacted by the approval of Proposition 10 at the November 3, 1998, general election, and is consistent with its purposes.

SEC. 79. The Legislature hereby finds and declares that the amendments made by Section 73 of this act to Section 5891 of the Welfare and Institutions Code furthers the Mental Health Services Act enacted by the approval of Proposition 63 at the November 2, 2004, general election, and is consistent with its purposes.

SEC. 80. In addition to the appropriations described in Sections 22954, 22954.5, and 22955 of the Education Code, it is the intent of the Legislature to appropriate in the Budget Act of 2009 a total of up to three million dollars ($3,000,000) to augment state appropriations that were transferred to the Teachers' Retirement Fund pursuant to Sections 22954 and 22955 in prior fiscal years. It is the intent of the Legislature that an appropriation in the 2009–10 fiscal year will provide contributions to the system related to creditable compensation in the 2005–06 and 2006–07 fiscal years that was reported by the system to the Department of Finance prior to passage of this act, but which was not reported by the system to the Department of Finance in a timely fashion after the end of those fiscal years, and that, accordingly, will not have resulted in a transfer from the General Fund to the Teachers' Retirement Fund prior to July 1, 2009.

SEC. 81. It is the intent of the Legislature that Sections 4 to 17, inclusive, and Section 80 of this act constitute a comprehensive package of modifications to appropriations for, and benefits of, the State Teachers' Retirement System. It is the intent of the Legislature that this comprehensive package of modifications provides members of the State Teachers' Retirement System with comparable new advantages for members of the system in accordance with the standard articulated in Allen v. Long Beach (1955) 45 Cal. 2d 128. Accordingly, the Legislature finds and declares that Sections 5, 6, 9, 10, 13, 14, 15, 16, and 80 of this act would not have been enacted except for their inclusion as part of this comprehensive package, and, therefore, it is the intent of the Legislature that these sections of the act not be interpreted as separable from one another.

SEC. 82. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act, within the meaning of Section 17556 of the Government Code.

SEC. 83. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 84. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to make necessary statutory changes to implement the Budget Act of 2008 at the earliest possible time, it is necessary that this bill go into effect immediately.

Approved ______________________________, 2008

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Governor